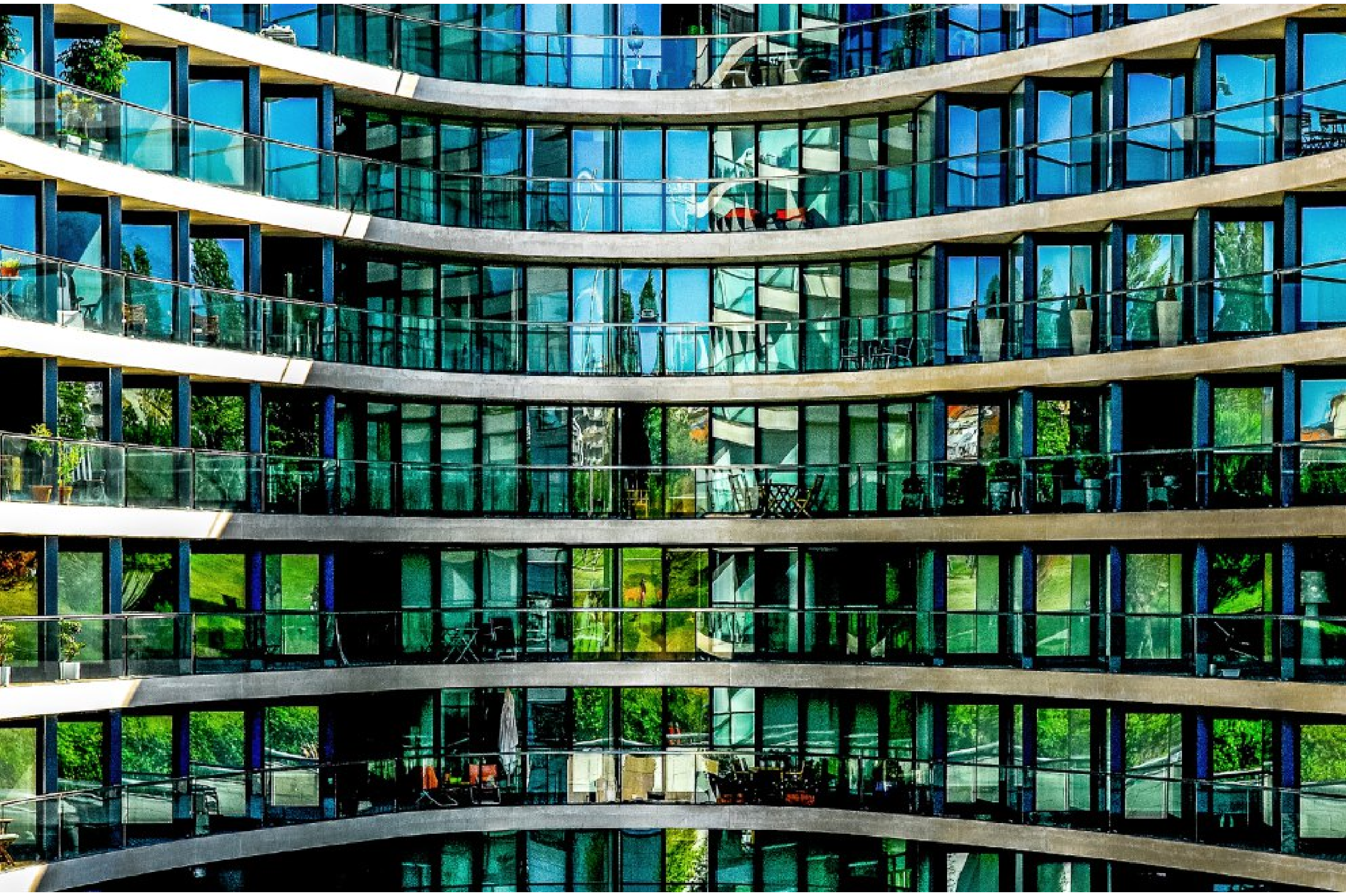
Investment Guide for
Property in Iberia 2025
Legal framework and Market Overview in Spain and Portugal



PARES DYNAMIC LEGAL ADVISORS

primeyield® PART OF GLOVAL

Prime Yield, part of Gloval, and Pares Advogados associate to deliver the 2025 edition of the Investment Guide for Property in Iberia. The document aims to work as a roadmap for REIT's – SOCIMIs and SIGIs - and SIC's operating in Iberia by providing a comparative legal framework of such vehicles in Spain and Portugal, but also an insight into key performance indicators of the real estate markets in both countries.

1. Economic Overview

SPAIN

By the end of 2024, the European macroeconomic picture reflected a significant reduction in inflation and moderate but steady economic growth, supported by the ECB's prudent monetary policy. In Spain, headline inflation was 2.8%, while core inflation remained between 2.4% and 2.6%. GDP grew by 3.2%, driven by private consumption, the recovery in employment and the solid performance of the tourism sector. Social contributions increased by 2.5% and the unemployment rate fell to 11.0%, reflecting a resilient labour market. Forecasts for 2025 point to moderate GDP growth of around 2.4%, although there are still some challenges in terms of private investment and export competitiveness.

SPAIN

2024

GDP (y-o-y)	3.2%
Social Security Affiliation (y-o-y)	2.4%
Inflation Rate (%)	2.8%
Unemployment Rate (%)	11.3%
Interest Rate on new credit (mortgage)	3.3%
Interest Rate on new credit (mortgage) Euribor 12 months	2.44%
Interest Rate on new credit (mortgage) Euribor 3 months	2.82%
Consumer Prices Index (CPI) (y-o-y)	2.8%
Activity rate - % of total population aged 15-64	59.5%
NPL ratio total *	2.7%

Notes:
* Q4 2024

Spain and Portugal showed economic resilience in 2024, with GDP growing well above the European average. Expectations for 2025 are positive, with economic activity expected to expand by more than 2.0% in both countries.

2024

GDP
(y-o-y)
1.9%

Social Security Affiliation
(y-o-y)
2.4%

Inflation Rate
(%)
2.7%

Unemployment Rate
(%)
6.4%

Interest Rate on new credit (mortgage)*
3.2%

Interest Rate on new credit (mortgage) Euribor 12 months**
2.09%

Interest Rate on new credit (mortgage) Euribor 3 months**
2.27%

Consumer Prices Index (CPI)
(y-o-y)
2.7%

Activity rate - % of total population aged 15-64
60.2%

NPL ratio total***
2.3%

Notes:
* February 2025
** April 2025
*** Q4 2024

PORTUGAL

Driven by private consumption and tourism, the Portuguese economy grew by 1.9% in 2024, slowing down from 2023 (2.6%) but clearly outperforming the euro area's GDP growth of 0.9%. The positive economic outcome in 2024 also reflected the further compression of inflation to 2.4% (4.3% in 2023) and the stabilization of a low unemployment rate (6.4%). The outlook for 2025 is very positive, with GDP growth expected to accelerate to 2.3%, supported by stable inflation around 2.0% and low unemployment. The continuation of the European Central Bank's monetary policy of cutting interest rates, albeit at a slower pace, should also have a positive impact on the Portuguese economy, which will continue to outperform the European average.

2. Iberian Property Market

SPAIN

The residential segment recorded a 11.5% increase in sales, with prices rising, driven by the easing of interest rates and a clear imbalance between supply and demand. The office market also had a positive year, with an increase in take-up in both Madrid and Barcelona. Retail activity has improved thanks to the boost from tourism and private investment in strategic areas. Logistics continues to perform well, driven by e-commerce and supply chain optimisation, although new supply has been more subdued. Alternative assets such as Build to Rent (BtR) and student and retirement housing continue to gain momentum, supported by growing structural demand and less sensitivity to economic cycles.

2024

Housing Prices (y-o-y)	Ratio Price-to-Income (Base 100=2015)	New licensed Residential buildings (y-o-y)
5.8%	116.1%	5.3%
New licensed Non-Residential buildings (y-o-y)	Completed buildings (y-o-y)	Mortgage loans (y-o-y)
8.4%	1.0%	11.2%
Transactions of housing units (y-o-y)	Investment volume (CRE) Retail	Investment volume (CRE) Industrial
11.5%	20.7%	10.0%
Investment volume (CRE) Offices	Investment volume (CRE) Hotels	Investment volume (CRE) Others
11.4%	22.9%	35.0%

Both the Spanish and Portuguese property markets showed resilience in 2024, with solid growth in the residential and commercial segments and investment activity. Forecasts for 2025 are positive, although the lack of supply remains a key issue.

2024

Housing prices (y-o-y)	**Ratio Price-to-Income** (Base 100=2015)	**New licensed Residential buildings** (y-o-y)
9.1%	150.2%	9.3%
New licensed Non-Residential buildings (y-o-y)	**Completed buildings** (y-o-y)	**Mortgage loans** (y-o-y)
9.7%	-7.5%	34.0%
Transactions of housing units (y-o-y)*	**Investment volume (CRE) Retail**	**Investment volume (CRE) Industrial**
14.5%	50.0%	5.0%
Investment volume (CRE) Offices	**Investment volume (CRE) Hotels**	**Investment volume (CRE) Hotels**
14.0%	21.0%	12.0%

PORTUGAL

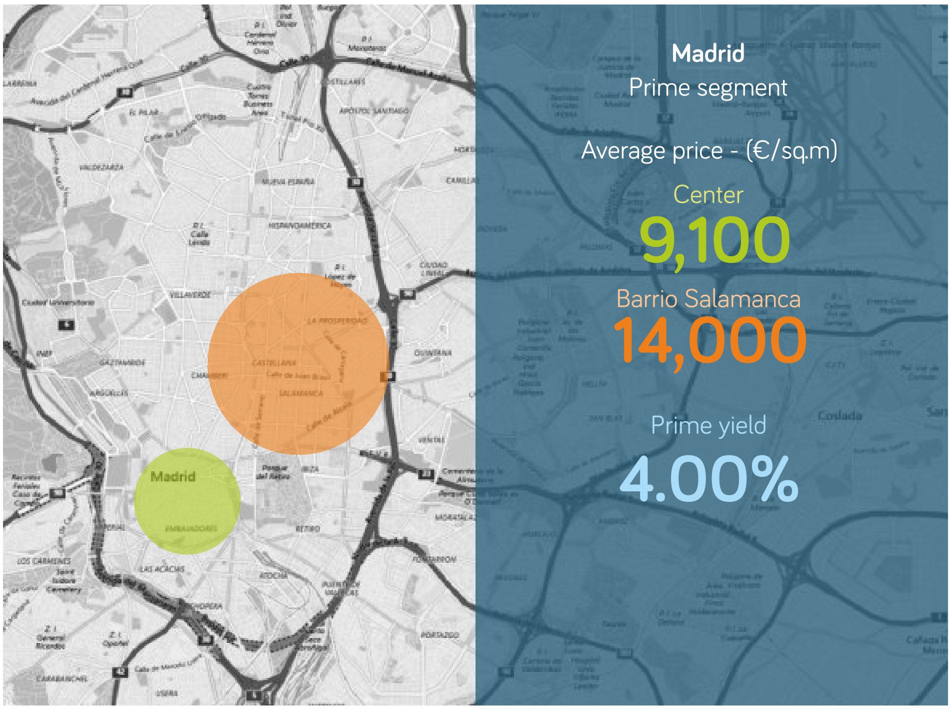
2024 was a year of recovery for the property market, with residential sales up 14.5%, mortgage lending at record levels and prices up 9.1%. In terms of commercial investment, activity also recovered strongly in 2024 (+39%), reaching a volume of €2.4 billion, driven by the return of foreign capital and major deals in the retail sector. The occupational markets had a particularly positive year for offices in Lisbon and Porto, as well as for the industrial segment in both regions. Market performance in 2025 is expected to be in line with 2024, in a macroeconomic context of low interest rates. Despite increased investment in property development, the lack of supply, particularly in the residential sector, remains one of the main challenges for the market.

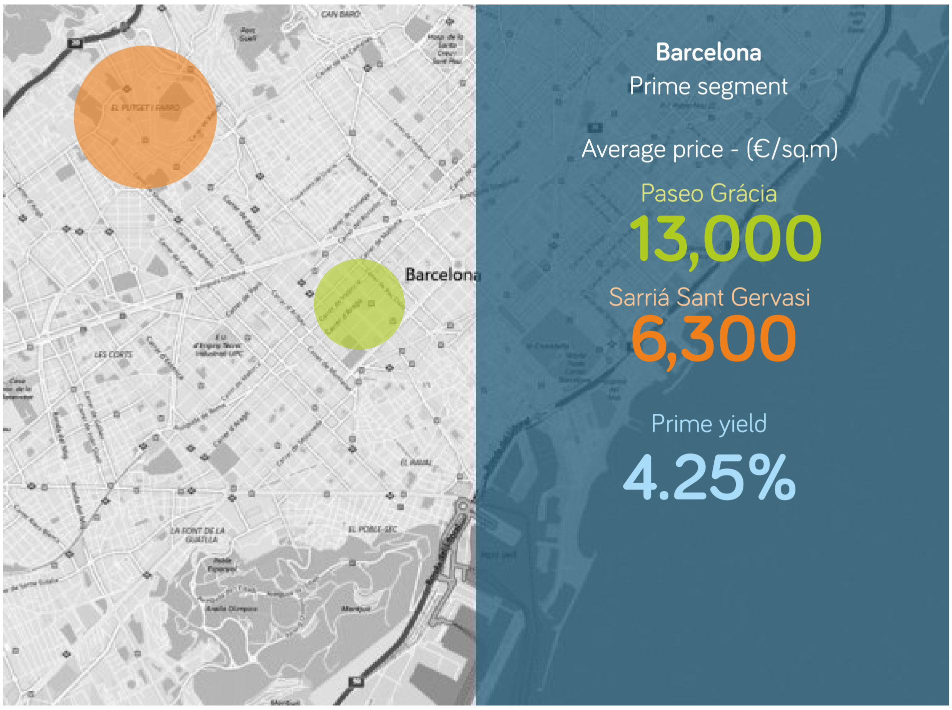
2. Iberian Property Market

2.1 Residential

SPAIN

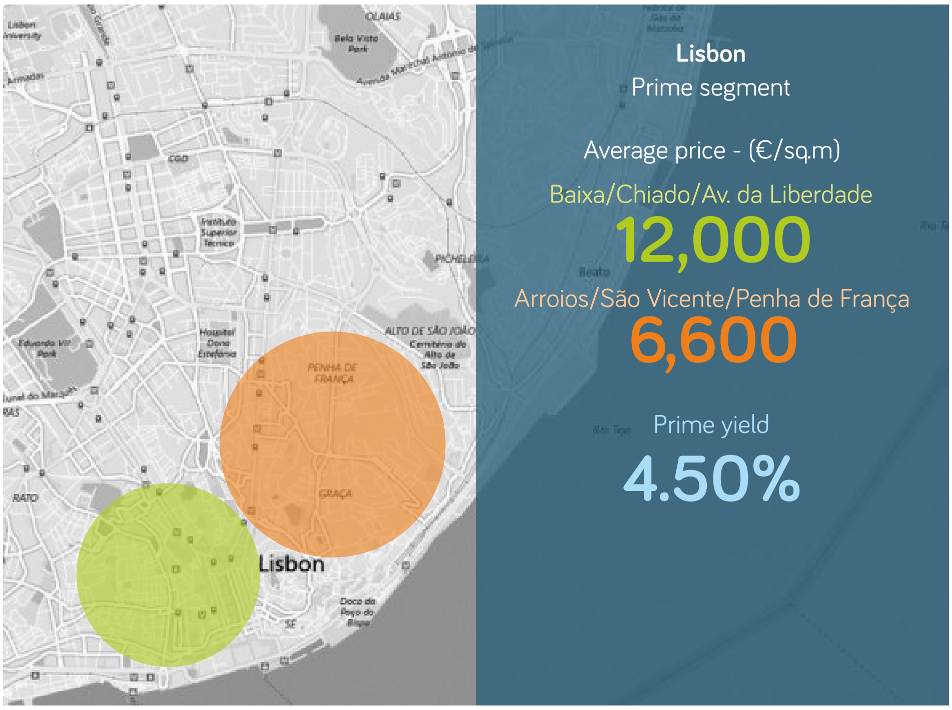
The housing market returned to positive territory after a period of declining activity in 2023. Sales rose by 11.5% year-on-year, going from 642,432 dwellings sold in the previous year to 716,181 transactions in 2024. This trend translates into a projected 6.1% y-o-y increase in prices, outpacing inflation. The upward trend in prices is driven by the lack of available supply, although development activity has picked up. In addition, interest rates continue to fall, stimulating demand. The market is expected to strengthen in 2025, although still dealing with key challenges such as housing affordability, given the persistent imbalance between supply and demand, exacerbated by a shortage of development land and high construction costs.

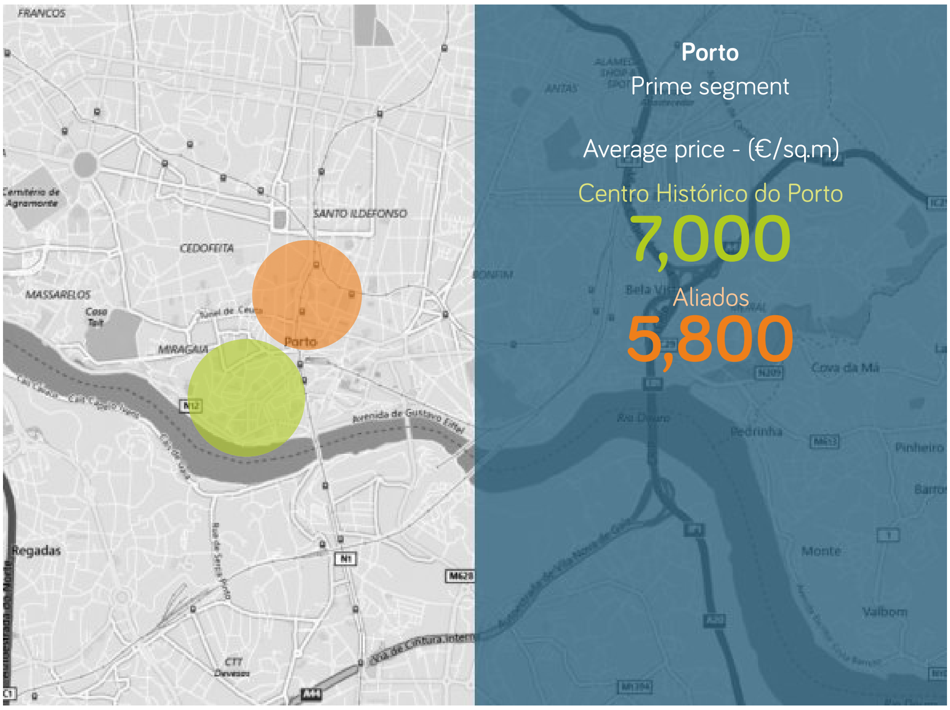




SPAIN

The Iberian residential market maintained solid growth in 2024, with transactions up 11.5% in Spain and 14.5% in Portugal, and rising prices. The outlook for 2025 is similar, with positive expectations for both sales and prices.





PORTUGAL

The easing of interest rates and incentives targeted at young demand boosted the recovery of the housing market, which grew by 14.5% in 2024 after contracting in 2023. Mortgage loans grew by 34%, reaching a new high, while prices continued to rise (+9.1%). The market is still very much characterized by an imbalance between supply and demand, especially in the most central and prestigious urban areas. In this context, prices continued to rise, despite having reached record highs, namely an average asking price of almost €5,000/sqm in Lisbon and €3,500/sqm in Porto. The market is expected to remain robust in terms of sales, with prices continuing to rise through 2025. The market continues to lack rental options, including build-to-rent, which has not taken off.

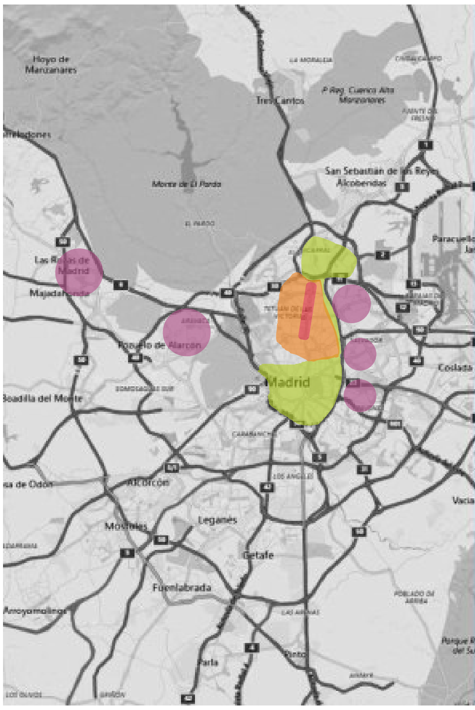
PORTUGAL

2. Iberian Property Market

2.2 Office

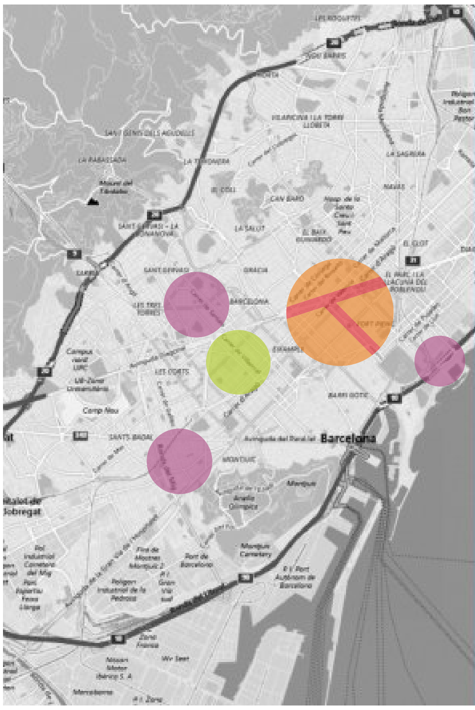
SPAIN

In 2024, the office market in Madrid and Barcelona recorded different performances. In Madrid, take-up reached around 550,000 sq m, an increase of 23% compared to 2023, driven by high demand in prime locations with limited availability and areas within the M-30. In Barcelona, take-up increased by 20% to around 290,000 sq m, although activity is still below pre-pandemic levels. There was an increase in investment focused on office repositioning projects for other uses, particularly in decentralised areas with low demand, as the market responds to optimising use and new working patterns, with demand for triple-A, sustainable and efficient office formats concentrated in prime locations.



Madrid
Prime rents (€/sq.m/month)
CBD
40.0
Secondary
26.5
Decentralised Area
19.0
Other areas
14.0
Prime yield
4.75%
Vacancy rate: 8.8%
Take-up: 550.000 sq.m
Pipeline: 350.000 sq.m*

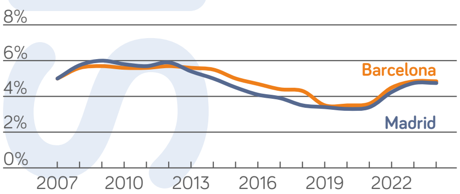
*2025



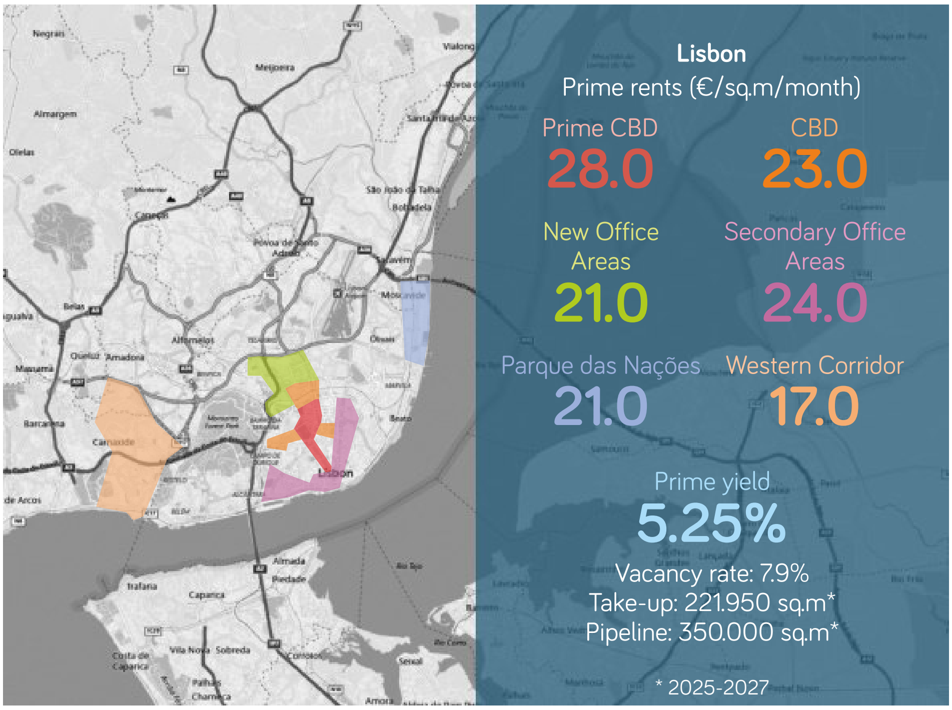
Barcelona
Prime rents (€/sq.m/month)
CBD
30.0
Secondary area/Rest of the City
22.0
Ensanche Area
25.5
Other areas
12.0
Prime yield
4.85%
Vacancy rate: 12.5%
Take-up: 290.000 sq.m
Pipeline: 250.000 sq.m*

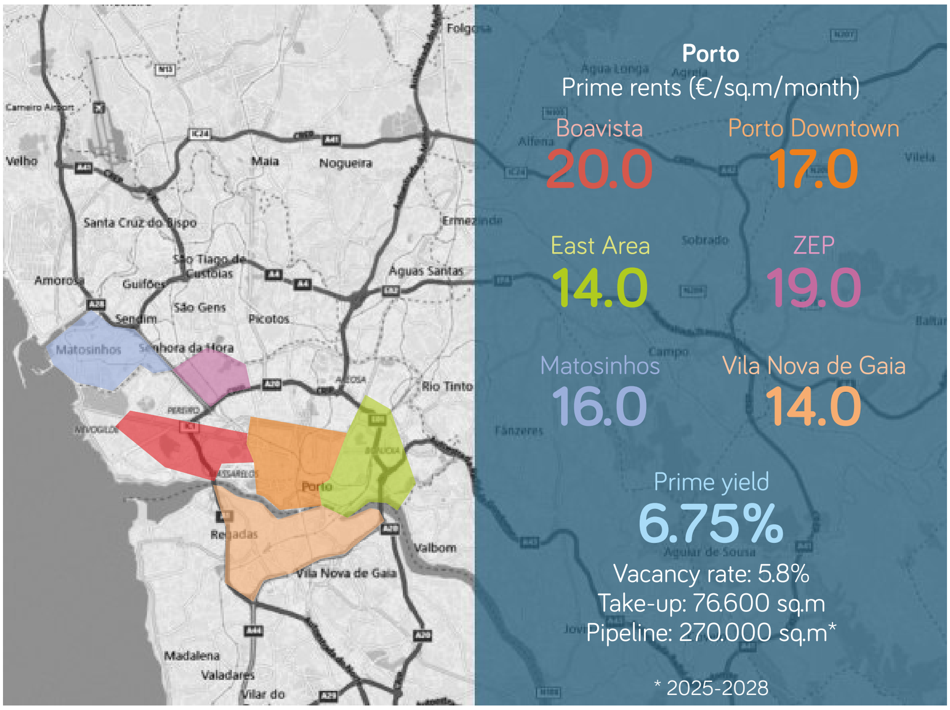
* 2025

Prime yields evolution



Office take-up increased by more than 20% in both Madrid and Barcelona, while Lisbon and Porto saw much stronger growth of 97% and 53% respectively. Demand for modern, sustainable space will continue to drive activity in all markets.

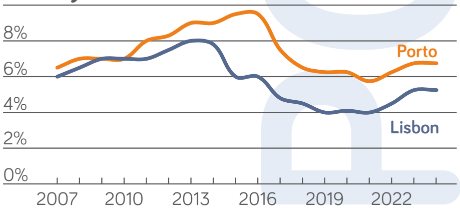




PORTUGAL

The office market performed remarkably well in 2024, with take-up doubling (+97%) in Lisbon to 221,950 sqm and rising 53% in Porto, which recorded its best year ever with 76,600 sqm. In Lisbon, performance was boosted by several large deals, while in Porto full building's occupancy was the main feature. The lack of quality supply has been a challenge in recent years, but there has been a gradual increase in modern, sustainable space that meets current demand requirements. The influx of quality supply is one of the factors behind the rise in rents, along with strong demand. Prime rents in Lisbon stood at €28/sqm and in Porto at €20/sqm. Demand for modern and efficient office space is expected to remain robust, driven by the attractiveness of Lisbon and Porto for international companies.

Prime yields evolution

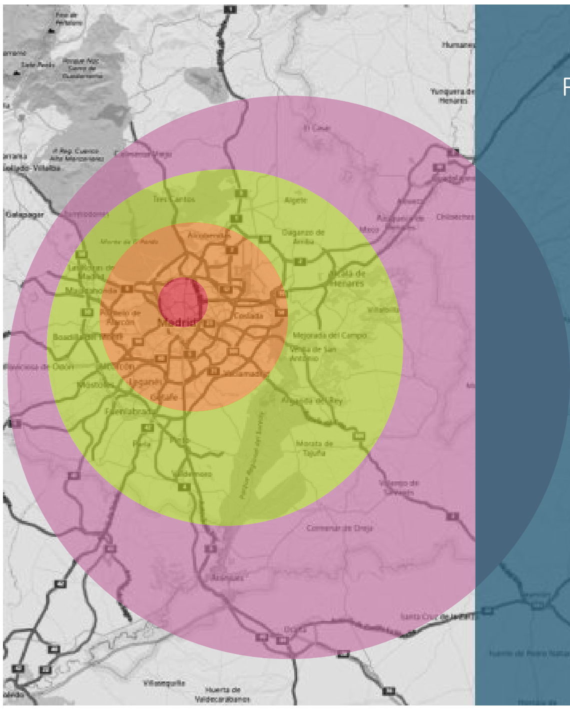


2. Iberian Property Market

2.3 Industrial & Logistics

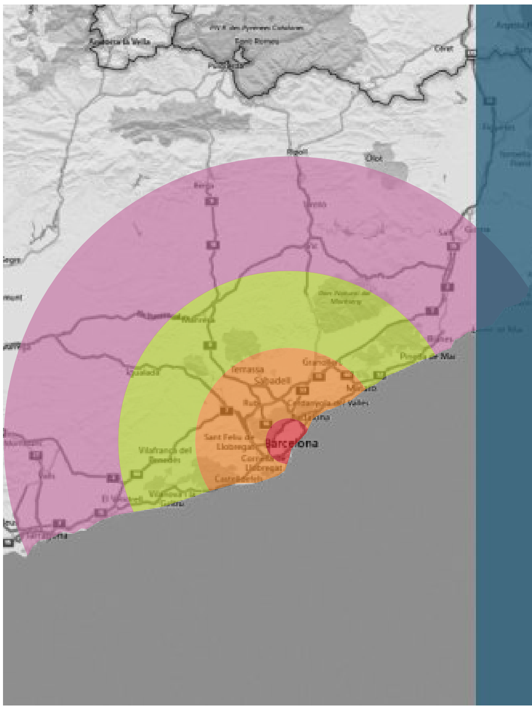
SPAIN

The industrial and logistics sector continued to show strong demand in 2024, exceeding 2023 activity in both Madrid and Barcelona. In Madrid, take-up reached around 900,000 sqm, driven by the expansion of e-commerce and demand for modern logistics platforms, consolidating its position as Spain's main logistics hub. In Barcelona, take-up sat around 700,000 sqm, thanks to the consolidation of logistics operators in strategic areas with good access. Demand for urban and last-mile logistics facilities remains key. Rents are on an upward trend due to high demand and limited supply, with growing interest in certified sustainable developments. In 2024, the pipeline of large logistics platform developments was lower than in previous years, meaning that new supply will remain constrained in 2025.



Madrid
Prime rents (€/sq.m/month)
Prime
5.50-6.75
Secondary Area
4.50-5.75
Periphery I
4.0-5.0
Periphery II
3.0-4.0
Prime yield
5.25%
Vacancy rate: 9.5%
Take Up: 900.000 sq.m
Pipeline: 500.000 sq.m*

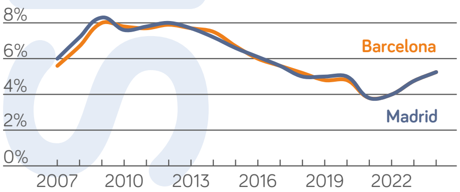
* 2025



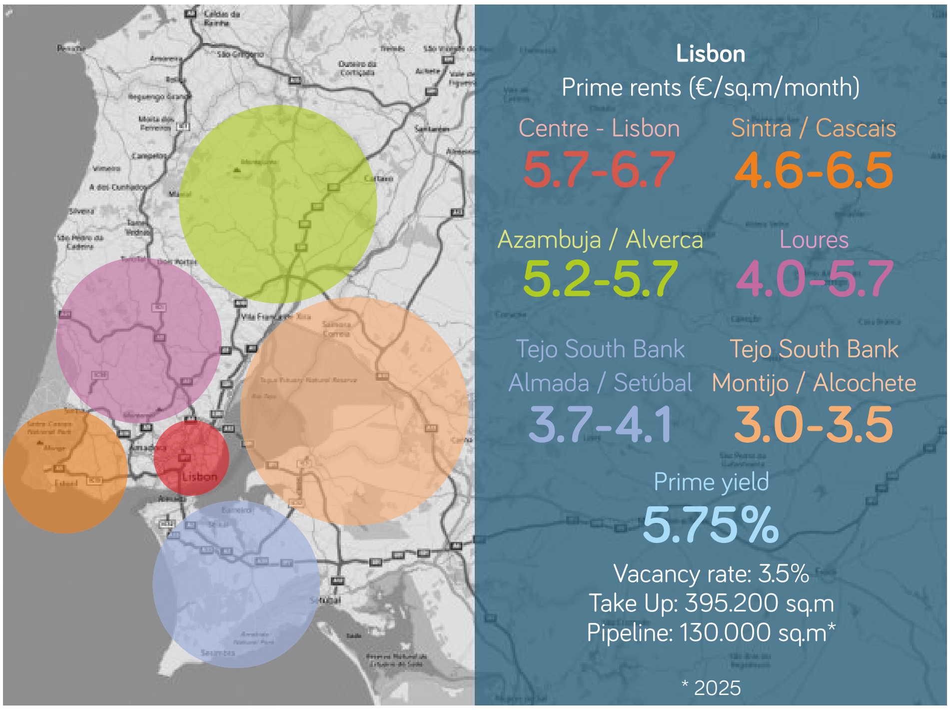
Barcelona
Prime rents (€/sq.m/month)
Prime
7.0-8.0
Secondary Area
5.25-6.25
Periphery I
5.0-6.0
Periphery II
3.0-4.0
Prime yield
5.25%
Vacancy rate: 6.0%
Take Up: 700.000 sq.m
Pipeline: 325.000 sq.m*

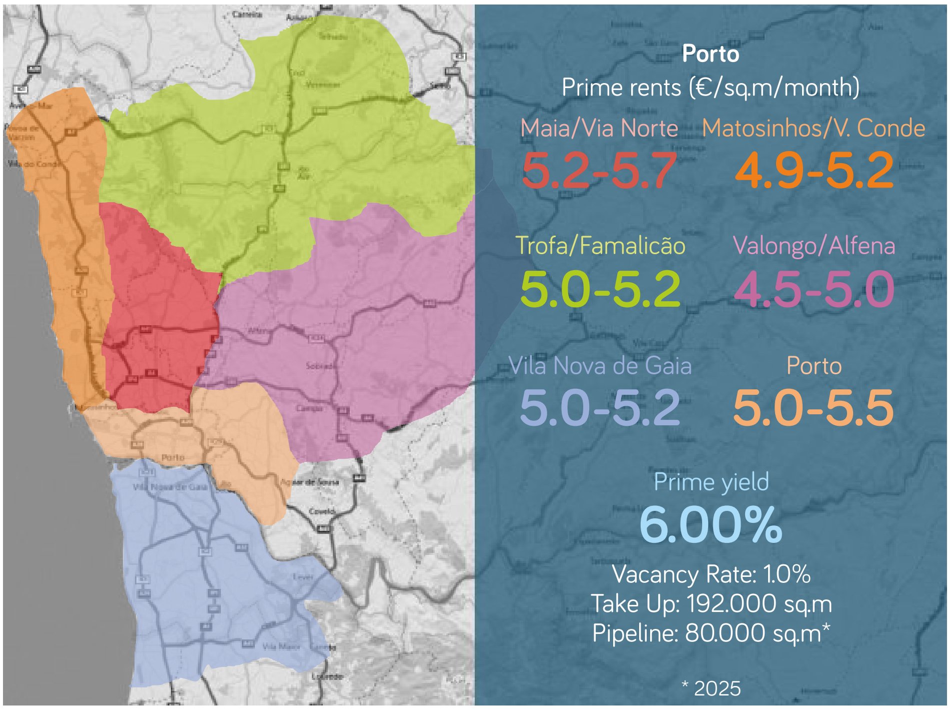
* 2025

Prime yields evolution



The Iberian logistics market remained strong in 2024, with take-up reaching 900,000 sqm in Madrid, 700,000 sqm in Barcelona, and peaking at 793,000 sqm in Portugal. Demand for modern, sustainable and large-scale spaces will remain high.

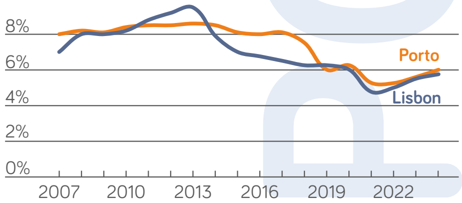




PORTUGAL

Take-up of industrial & logistics space reached a record high in 2024, with 793,000 sqm absorbed, +80% compared to 2023. This increase was driven by large transactions, with the five largest deals accounting for more than a third of total take-up. The Lisbon region accounted for 50% of total take-up, followed by the Porto region with 24%. Around 400,000 sq m of new logistics space was completed in 2024, most of it in the Lisbon area and many of them BREEAM-certified, helping to improve the quality of the logistics park. Prime rents have shown a positive trend in recent years. Demand will remain strong, with new quality projects in the pipeline, which will push up rents. Self-storage and data centres are experiencing growing demand.

Prime yields evolution



2. Iberian Property Market

2.4 Retail

SPAIN

In 2024, Spain's retail sector experienced significant growth, particularly in the high-street format both in Madrid and Barcelona. Momentum was driven by international tourists and the opening of new physical stores in shopping streets such as Barrio de Salamanca in Madrid and Porta del Angel in Barcelona. Demand for prime space remained strong, driven by the interest of fashion and luxury brands in flagship stores. Prime yields on high street retail sat at 3.75%. Although growth in shopping centres was more moderate, retail assets continued to draw the attention of investors, attracting over €2.2 billion, of which 50% in stores, 17% in retail parks and the remainder in shopping centres.

Format	Location	Prime rents (€/sq.m/month)
Shopping Centres	Spain	74
Retail Parks	Spain	20
High street retail	**Madrid** Barrio de Salamanca and Zona Centro	250
High street retail	**Barcelona** Porta del Ángel, Pº Gracias, Rambla, Avda. Diagonal	250
Prime yield (High street)	Madrid and Barcelona	4.00%

SPAIN

Prime retail is set to consolidate in 2025, with significant high street openings in both Portugal and Spain. Retail assets were a core target for investors in Iberia in 2024, attracting as much as 21% of commercial investment in Spain and 50% in Portugal.

Format	Location	Prime rents (€/sq.m/month)
Shopping Centres	Portugal	120
Retail Parks	Portugal	12
High street retail	**Lisbon** Avenida da Liberdade Chiado	140
High street retail	**Porto** Rua Santa Catarina	85
Prime yield (High street)		4.75%

PORTUGAL

The retail sector continued its growth trajectory in 2024, with high street retail consolidating its position as the main format for new openings, followed by shopping centres. The expansion of retail parks was also notable, with four new projects completed, totalling 23,400 sq m of GLA. The F&B sector continued to stand out, accounting for the majority of new openings, with food retail also proving very buoyant. Both Lisbon and Porto saw strong demand for street retail, but limited supply, especially in prime locations, continued to push up rents. The retail sector was the main target for investment in 2024, accounting for 50% of the volume transacted. Strong tourism activity and a recovery in private consumption open positive expectations for this segment in 2025.

2. Iberian Property Market

2.5 Hotel

SPAIN

The Spanish hotel sector experienced strong growth in 2024, driven by the recovery in international tourism and high demand in core destinations such as Madrid, Barcelona, the Balearic Islands and the Canary Islands. Both the number of guests (116 million) and the number of overnight stays (363 million) were higher than in 2023, up 3.9% and 5% respectively, with particularly strong growth among international tourists. Hotel investment exceeded €3.2 billion, representing 23% of total real estate investment in Spain, with high demand for luxury hotels, branded residences, serviced apartments and glamping. Average room rates (ADR) grew by 7.5% and occupancy by 2.4%. The overall result at RevPar level reflects a growth of 10.1%, in line with the positive evolution of the sector.

SPAIN

Format	2024	Change rate 24/23
Overnights stays (Millions)	363.7	5.0%
National	121.9	0.2%
International	241.8	7.5%
Guests (Millions)	116.3	3.9%
National	54.3	-0.7%
International	62.0	8.2%
RevPar (€)	81.8	10.1%
Occupancy rate per room	68.4%	2.4%

Source: INE (ES)

The hotel sector in Iberia continued to be dynamic. The recovery in tourism, particularly international tourism, resulted in good operating performance. Once again, it also stood out as a target for investors, accounting for 21% of total investment in Portugal and 23% in Spain.

Format	2024	Change rate 24/23
Overnights stays (Millions)	80.3	**4.0%**
National	23.9	2.3%
International	56.4	4.8%
Guests (Millions)	31.6	**5.2%**
National	12.2	3.5%
International	19.4	6.3%
RevPar (€)	69.3	**7.0%**
Occupancy rate per room	66.4%	**0.3%**

Source: INE, Turismo de Portugal

PORTUGAL

The hotel sector continued to grow in 2024, driven by a 4.0% increase in overnight stays (80.3 million) and a 5.2% increase in guests (31.6 million), reinforcing and consolidating Portugal's position as an internationally competitive destination. Foreign demand continued to be decisive, accounting for 70% of overnight stays. The national hotel supply increased by 3,600 rooms, with 65 new hotels coming on stream and another 160 expected to open over the next three years, with a strong presence in the Porto and North region, followed by the Lisbon metropolitan area, the Alentejo and the Algarve. The hotel segment consolidated its importance in the investment market, accounting for 21% of the total volume, with transactions worth €500 million.

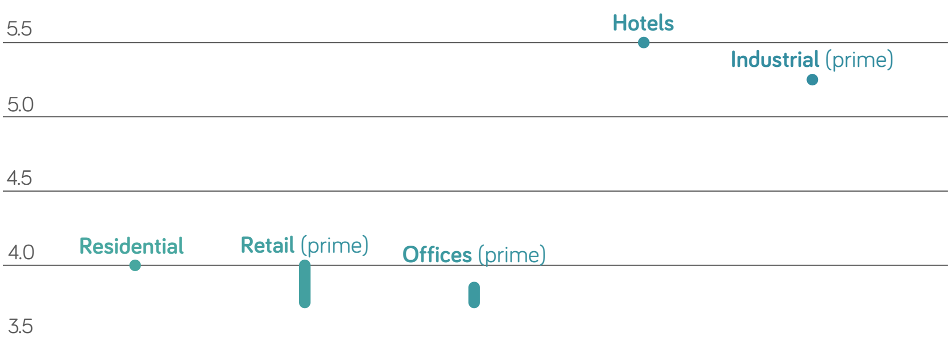
2. Iberian Property Market

2.6 Investment

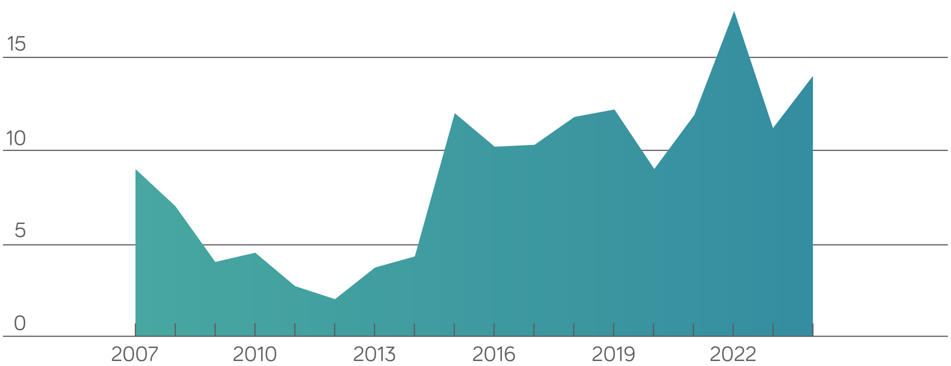
SPAIN

Investment in commercial property in Spain continued to grow in 2024, reaching €14.0 billion, an increase of 25% on the previous year. This growth was driven by the recovery in international demand and the macroeconomic improvement following the ECB's interest rate cuts. Alternative assets accounted for around 35% of the total investment volume, with student housing, senior housing and short-term rentals representing the largest share due to high demand and limited supply. Retail and hotels each accounted for around 20% of total investment, with the hotel sector benefiting from the recovery in tourism. Yields show some stabilization trend after the recovery observed in 2023, with an adjustment expected in some segments by 2025.

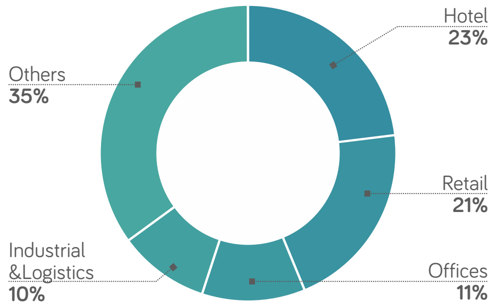
Prime Yields by segment (%)



Investment Volumes in Spain (Billion Euro)

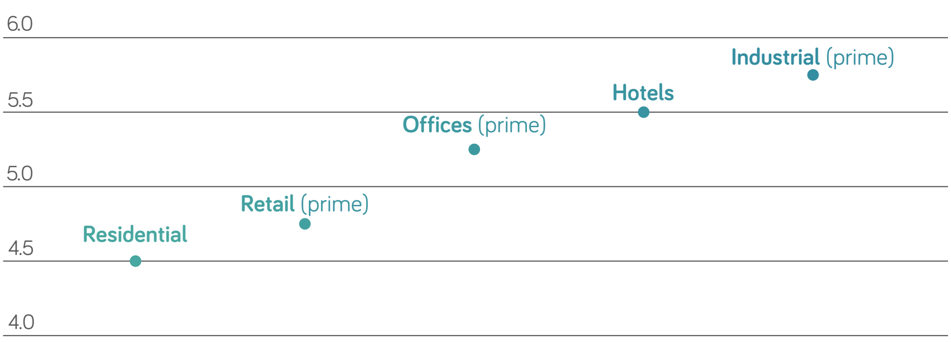


Investment by segment (2024)

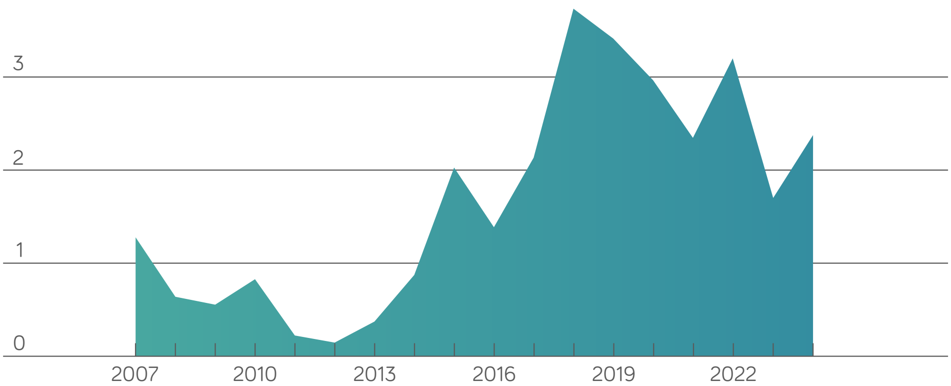


Commercial investment in Iberia grew strongly, reaching around €14.0bn in Spain and €2.4bn in Portugal. In Spain, alternative assets and the hotel sector boosted activity, while in Portugal the retail sector was one of the main drivers of growth.

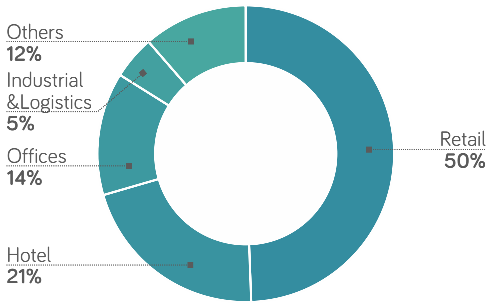
Prime Yields by segment (%)



Investment Volumes in Portugal (Billion Euro)



Investment by segment (2024)



PORTUGAL

Commercial investment in Portugal reached around €2.4 billion in 2024, a 40% growth compared to 2023, marked by an increase in foreign investor activity and high volumes allocated to the retail sector. This segment accounted for around 50% of the total volume transacted, followed by hotels (21%) and offices (14%). Alternative assets such as PBSA consolidated their position in the market, accounting for 12% of total investment. In 2024, yields rose slightly for offices in Lisbon and fell moderately for shopping centres, retail parks, street retail and industrial & logistics in Porto. Forecasts for 2025 point to solid investment activity, with renewed year-on-year growth, driven by falling interest rates and strong liquidity in the markets. With this trend, yields should remain stable.

PORTUGAL

3. The numbers of the Property Market at a Glance

Spain

Residential

↗ 12.0%

Residential sales in Spain
(715.429, 2024)

Offices Madrid

↗ 22.0%

Take-up
(550.000 sq.m, 2024)

Offices Barcelona

↗ 20.8%

Estimated Take-up
(290.000 sq.m, 2024)

Industrial&Logistics

↗ 3.8%

Prime rent
(€5.50-€6.75/sq.m, 2024)

Retail

↗ 4.2%

High-street prime rent
(€250/sq.m, 2024)

Hotel

↗ 10.1%

RevPar
(€81.8, 2024)

Investment

↗ 25.0%

Investment volume
(€14.0 billion, 2024)

Portugal

Residential

↗ 14.5%

Residential sales in Portugal
(156.325, 2024)

Offices Lisbon

↗ 97.0%

Take-up
(221,950 sq.m, 2024)

Offices Porto

↗ 53.0%

Take-up
(76,600 sq.m, 2024)

Industrial&Logistics

↗ 12.5%

Prime rent
(€5.75 -€6.75/sq.m, 2024)

Retail

↗ 7.7%

High-street prime rent
(€140/sq.m, 2024)

Hotel

↗ 7.0%

RevPar
(€69.3, Nov 2024)

Investment

↗ 40.0%

Volume of investment
(€2.4 billion, 2024)

4. Iberian REITs: SOCIMI and SIGI

4.1 Legal Framework: SOCIMI vs SIGI

SOCIMI LEGAL INFO

Public Limited Companies Listed Investment in the Real Estate Market (Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario, "SOCIMIs") are regulated by Spanish Law 11/2009 of 26 October, and are configured as a tailor-made vehicle for investment in real estate assets for rent. SOCIMIs are the Spanish version of real estate investment vehicles (REIT) already existing in other countries and known internationally as real estate investment trusts (REIT).

SOCIMI are listed companies with a particular tax regime which activity is restricted to the acquisition, development, refurbishment and management of profitable real estate assets, to holding a stakes in other SOCIMIs or entities with similar purposes and to the development of ancillary real estate activities. The acquisition and promotion of urban real estate by a SOCIMI is intended for the purpose of leasing to third parties.

The SOCIMI must take the form of a public company (sociedad anónima). Their shares must be nominative and of the same class so that all have the same nominal value and grant the same corporate and economic rights to their owners. The minimum share capital to constitute a SOCIMI is €5.000.000,00. Real estate can also be contributed to form the share capital and there is no limit on external financing.

A SOCIMI can be incorporated with only one property and its real estate assets can be located within Spanish territory or abroad.

The SOCIMI's asset composition must comprehend at least 80% of real estate assets assigned to leases or to land intended for urban development, or participations in other SOCIMI or REIT. These assets must remain in the company for at least 3 years.

At least 80% of the income of the SOCIMI for a given tax period, excluding the transfer of shares and real estate, must come from rental income and/or dividends from SOCIMI/REIT in which the SOCIMI holds a share. SOCIMI must be listed on regulated stock markets or a multilateral trading system (MTS), in Spain or in any other Member State of the European Union.

Most of the Spanish SOCIMIs are listed on BME Growth, the small and mid-cap segment of BME MTF Equity, an MTS managed by BME subject to the supervision of the Comisión Nacional del Mercado de Valores ("BME Growth"), formerly known as the Alternative Stock Market, ("MAB"), for which it is necessary to hire a registered advisor and a liquidity provider (a bank or securities agency). For the incorporation of shares held by a SOCIMI into BME Growth, the regulations establish that shareholders with a percentage of less than 5% of the company's share capital must hold a number of shares that at least represents:

1. an estimated market value of two million euros, and/or;
2. a 25% of the shares issued by the company.

Notwithstanding the above, in order to consider the shareholder spread of a SOCIMI to be adequate, in practice, BME Growth requires the company to have a minimum of 20 shareholders independent of the reference shareholders, whose respective shareholdings in the company are:

1. less than 5 % of the share capital;
2. ten thousand euros or more; and
3. one million euros or less.

Within 6 months counted from closure of each fiscal year, the SOCIMI must distribute to its shareholders at least: (i) 100% of profits obtained from the holding of shares in other SOCIMI or REIT must be distributed; (ii) At least, 50% of those arising from sales of real estate or shares in other SOCIMI or REIT once the deadline of 3 years have passed); (iii) and 80% of the rest of the profits obtained (rental income).

SOCIMI have a special tax regime, being generally exempt from Corporate Income Tax, with certain exceptions. The SOCIMI is an ideal investment instrument for small and medium-sized investors, because they allow investors to diversify their asset portfolio by entering the real estate market without having to be engaged in the management. Listed on the stock market, the investment in SOCIMI benefits from the visibility, liquidity, valuation and guarantees of the regulated stock market.

There's a growing investor appetite for hotels in Portugal and Spain, an area boosted by strong tourism fundamentals.

SIGI LEGAL INFO

The Decree-Law no. 19/2019 of January 28 establishes the legal framework for "Sociedades de Investimento e Gestão Imobiliária" (SIGI), a vehicle designed to stimulate activity in the real estate sector—particularly the rental market. SIGIs are the Portuguese equivalent of Real Estate Investment Trusts (REITs).

They must be organized as joint-stock companies ("Sociedades Anónimas") with a minimum fully paid-up share capital of €5.000.000,00.

Incorporation may, at the founders' option, follow a public offering, but this is not mandatory. The founder cannot be entitled to any special advantage when compared with other investors. The SIGI capital subscription cannot be deferred on time, all investors must perform their contributions when they subscribe the share capital.

Under the same decree, it is foreseen the possibility to convert existing joint-stock companies, SICAVIs and SICAFIs (corporate collective undertakings) into SIGIs, provided they meet certain conditions and SIGIs requirements.

The corporate purpose of a SIGI includes:

1. Acquiring real estate rights—such as ownership or superficies—primarily for rental, including non-standard leasing arrangements that bundle services essential to property use (for example, construction, renovation, retail concessions within shopping centers, or office-space leases).
2. Investing in shares of other SIGIs or in real-estate companies established in EU or EEA Member States. Although invested companies must meet the following requirements: (i) They have a corporate purpose equivalent to SIGI; (ii) The composition of its assets complies with the limits set out in the decree law; (iii) Their share capital is fully represented by registered shares; and (iv) Are subject to similar regime of profit distribution;
3. Acquiring shares or units in collective real-estate investment vehicles, such as real-estate funds and real-estate investment companies.

Starting in the second year after incorporation, a SIGI must ensure that:

1. At least 80% of its total assets (by value) consist of real-estate rights and financial participations held in line with its corporate purpose.
2. At least 75% of its total assets (by value) are real-estate rights subject to leasing under the aforementioned non-standard contracts.

Within one year of incorporation, all of a SIGI's shares must be listed—either on a regulated market or on a multilateral trading facility. Furthermore, an independent auditor registered with the CMVM must appraise the SIGI's assets at least once every seven years.

The SIGI's total net debt may not exceed 60% of the aggregate value of its assets

Concerning profit distribution, within nine months of each financial year's end a SIGI must distribute:

1. 90% of income derived from dividends and other returns on its qualifying investments;
2. 75% of any remaining distributable profits, in accordance with general corporate law.

When a SIGI sells assets acquired in pursuit of its corporate purpose, at least 75% of the gains must be reinvested within three years of the sale.

For tax purposes, SIGIs fall under the regime set out in Article 22 of the Portuguese Tax Incentives Statute (EBF), which governs real-estate investment companies.

A SIGI will lose its status and benefits upon:

1. ceasing to be a private limited liability company, breaching its mandatory corporate object or having a share capital of less than € 5.000.000,00;
2. simultaneously breaching, for a period of more than 6 months, the rules on portfolio composition and minimum holding period requirement;
3. breaching, during two consecutive financial years, either of the requirements on the portfolio composition or the minimum holding period requirement;
4. breaching the 60% leverage ratio requirement;
5. breaching the rules on admission to trading, the free float 20% requirement or the 2% dispersion requirement.

4. Iberian REITs: SOCIMI and SIGI

4.2 Legal Requirements: SOCIMI vs SIGI

	Spain (SOCIMI)	**Portugal** (SIGI)
Minimum Share Capital	€ 5.000.000 Special requirements for contributions in kind;	€ 5.000.000 Capital contributions must be performed immediately on subscription;
Capital reserves	Legal and restricted reserves cannot exceed 20% of the share capital;	Reserves cannot exceed 20% of the share capital;
Shareholding Structure	A number of shares held by shareholders with a percentage of less than 5% corresponding to at least an estimated market value of 2 million euros or, alternatively, representing at least 25% of the shares issued by the company is required. At least 20 shareholders.	The representative shares of SIGI's capital stock must meet the dispersion requirements. of shares of the public applicable in each trading platform referred to in the previous number and guarantee compliance with the following minimum dispersion limits by investors who shareholders corresponding to less than 2% of the voting rights imputed in in accordance with article 20 of the CVM: a) 20% from the end of the third full calendar year after the admission or selection for trading of SIGI shares on one of the trading platforms mentioned in the preceding paragraph; b) 25% from the end of the fifth full calendar year after the admission or selection for trading of SIGI shares on one of the trading platforms mentioned in the preceding paragraph;
Type of shares	Single-class nominative shares	Single-class nominative shares;
Corporate Purpose	Acquisition and development of urban properties for lease and rehabilitation purposes. Acquisition of shares in other SOCIMIs or in other companies headquartered in Spain or abroad, with the same corporate purpose and with the same regime of distribution of profits. Acquisition of shares in other companies, headquartered in Spain or abroad, which have as main corporate purpose the acquisition of real estate property for leasing purposes and which are subject to the same regime of distribution of profits as the SOCIMI (statutorily or legally), provided such companies do not hold any shares in any other company. All of the share capital of these companies must be held by other SOCIMI or to non-resident companies mentioned on the previous paragraph Acquisition of shares or investments in Real Estate Collective Investment Institutions incorporated under Spanish law.	To invest on one of the followings: • Acquiring real estate rights—such as ownership or superficies—primarily for rental, including non-standard leasing arrangements that bundle services essential to property use (for example, construction, renovation, retail concessions within shopping centers, or office-space leases). • Investing in shares of other SIGIs or in real-estate companies established in EU or EEA Member States. • Acquiring shares or units in collective real-estate investment vehicles, such as real-estate funds and real-estate investment companies.

	Spain (SOCIMI)	**Portugal** (SIGI)
Shares subject to public negotiation in open market	The shares must be admitted to trading in a regulated market or in a multilateral trading system located or functioning on an EU member-state, within the European Economic Area, or on a regulated market of any country where there is an uninterrupted interchange of tax information during the tax period with the Spanish Tax Authorities.	The shares must be admitted to trading in a regulated market or in a multilateral trading facility ("MTF") located or functioning in an EU member-state or within the European Economic Area, within 1 year counting from the incorporation of the SIGI;
Asset composition	At least a minimum of 80% of the SOCIMI's asset value must be invested in assets included in its corporate purpose.	• At least 80% of its total assets (by value) consist of real-estate rights and financial participations held in line with its corporate purpose; • At least 75% of its total assets (by value) are real-estate rights subject to leasing under the aforementioned non-standard contracts.
Minimum asset permanence period	Real estate properties acquired by the SOCIMI must remain leased for a minimum period 3 years after acquisition.	minimum period of 3 years after acquisition;
Limitation to the origin of income	(Apart from the limitations to the transfer of shares or real estate) the income to be obtained by the SOCIMI must originate from: • the leasing of real estate in compliance with the corporate purpose; or • dividends or profits from participations held in accordance with the corporate purpose.	None
Indebtedness limitation	None	The SIGI's total net debt may not exceed 60% of the aggregate value of its assets;
Distribution of profits	Within 6 months counted from closure of each fiscal year, the SOCIMI must distribute to its shareholders, at least: • 100% of the profits arising from the dividends and other income originated by the investments in shares and investment units foreseen by the corporate purpose; • At least 50% of the profits deriving from the transfer of property rights, shares or investments once the term of three years of holding has elapsed, with the remaining 50% reinvested in qualifying assets within three years. If reinvestment does not occur, the remaining profits must be distributed in full at the end of the reinvestment period; • 80% of the rest of the profits obtained.	Concerning profit distribution, within nine months of each financial year's end a SIGI must distribute: • 90% of income derived from dividends and other returns on its qualifying investments; • 75% of any remaining distributable profits, in accordance with general corporate law. When a SIGI sells assets acquired in pursuit of its corporate purpose, at least 75 % of the gains must be reinvested within three years of the sale.

4. Iberian REITs: SOCIMI and SIGI

4.3 Tax Framework: SOCIMI vs SIGI

SOCIMI TAX INFO

Generally, the SOCIMI is exempt from Corporate Income Tax. At the same time, if losses are generated, these cannot be used to offset future profits. CIT deductions will not be applicable either. Failure to comply with the three-year permanence requirement will result, in the case of real estate, in the taxation of all income generated by such real estate in all financial years in which the special regime was applicable, in accordance with the general CIT rate of 25%.

A 19% special levy is applied over the dividends distributed to shareholders who:

- Own more than 5% of share capital and are taxed at a rate lower than 10% or exempt from taxation under their residency tax regime.

The SOCIMI is subject to a special tax of 15% on profits derived from rental income or other exempt activities under the SOCIMI regime that have not been distributed within the same fiscal year. This Tax applies to profits that:

- Benefit from the SOCIMI's 0% CIT rate,
- Are affected by the three-year reinvesting period following the sale of qualifying assets.

SIGI TAX INFO

SIGIs fall under the Corporate Income Tax Code, subject to these key provisions:

- Exemption on investment income, rental income and capital gains (unless derived from entities in a recognized tax haven) in their taxable profit.
- Exemption of both the State and Municipal surcharges.
- No withholding tax on income received by the SIGI.

If a SIGI loses its qualifying status under Article 11, it immediately reverts to the ordinary tax regime. From that point until the end of that calendar year, its results are determined and taxed under the general Corporate Income Tax rules, prorated for the period remaining in the year.

SOCIMI TAX FORECAST

Despite the corporate income tax general exemption regime on SOCIMI, it has been recently discussed the introduction of a 25% rate over SOCIMIs. This proposal was presented with the state budget for 2025, and although not approved due to the lack of parliamentary support for this change, it is Spanish Government intention to change the SOCIMIs tax regime introducing the standard taxation over these entities. So, this change might be approved in a near future.

4.4 SOCIMI vs SIGI Investors Taxation

SOCIMI INVESTOR TAXATION
Shareholder is a resident legal person – 25%.

Shareholder is a resident natural person – between 19% and 30%.

Non-resident shareholders: 19%. This tax rate could be reduced under an applicable Double Tax Treaty (DTT).

SIGI INVESTOR TAXATION
The taxation of income that shareholders receive from a SIGI varies according to both the type of income and the investor's tax residence status, with withholding rates ranging from 10% to 28%. The ultimate tax impact must be determined individually, based on the specific income category and the investor's circumstances at the moment the income is received.
If a SIGI no longer qualifies for the tax regime set out in Articles 22 and 22 A of the EBF, any subsequent income distributions or capital gains realized by shareholders will be taxed under the general rules of the Personal Income Tax Code (IRS) or, where applicable, the Corporate Income Tax Code (IRC).

4. Iberian REITs: SOCIMI and SIGI

4.5 SIC the REITs alternative

We have been seeing a recent trend in Portugal of investors reducing their interest into SIGI structures and moving to simpler and more cost-efficient structures like Collective Investment Companies ("SIC's"). SIC's can be *open ended* or *Closed ended*:

- Open-ended SICs allow subscribers to enter or redeem shares at any time; they have no fixed term.
- *Closed ended* SICs set a subscription window (up to 25% of their lifespan) and lock in investors until maturity.

With regard to investment, real estate SIC's have to[1] invest directly or indirectly a minimum of 2/3's of their assets in Real Estate. The limits on investment, as well as financing limits, may be subject to further change depending on whether the SIC's are closed or open, as well as if they are subject to private or public subscription.

SIC's can be (a) Self-managed, and use their own board to both set policy and execute investments (b) Third party Managed – similarly to a Fund but in which the Board of directors is used for oversight. This last one is most common model in Portugal as the management fee – paid to the management company is usually far lower than the structure and supervisory costs that a self managed model has, and the board still retains some powers and consultive control on the management, apart from the oversight.

SIC's taxation is based in the logic of "exit taxation", so taxation is mainly levied on the part of the income distributed to shareholders, when distributing SIC's profits and not over SIC's direct generated profit.

On the taxable amount corresponding to the taxable profit deducted from tax losses, the general Corporate Income Tax rate of 20% applies. However, in the calculation of taxable income, capital income, property income (rents from real estate) and capital gains arising from the sale of real estate, expenses linked to that income, as well as income, including discounts, and expenses related to management fees and other commissions are not considered. They are, however, considered as income and also disregarded as tax expenses when linked to such income, for the purposes of calculating taxable profit, when they have origin in entities with residence or domicile in "a country, territory or region subject to a clearly more favourable tax regime included in a list approved in an ordinance of the member of the Government responsible for the area of finance (i.e. tax havens)".

There is no obligation to withhold corporate income tax on the SIC's income.

Although SIC's IRC rate is the general one, as for other companies, the greatest advantage of SIC's tax regime is that income arising from real estate, as rents and real estate capital gains, is excluded from tax. Therefore, the taxation over real estate activity as rents and real estate capital gains (arising from construction or resale of properties) will be 0%.

SIC's are subject to a Stamp Duty rate of 0.0125% calculated on the respective global net value, to be paid quarterly.

The SIC's are exempt from both municipal and state surcharges.

[1] SIC's are qualified according to the assets in which they invest, and can be a Venture Capital, Credit, Real Estate or other unspecified SIC.

Portfolio Composition Limits	Closed Ended (Private Subscription)	Closed Ended (Public Subscription)	Open Ended
Min. investment in RE properties	N/A	25%	25%
Max. value of a single RE property	N/A	<25%	<20%
Min. investment in RE assets	66.67%	66.67%	66.67%
Max. investment in RE rural properties or development projects	N/A	25%	25%[1]
Min. exposure to RE leased properties	N/A	10%	10%
Max. exposure to RE leases with related parties or to a group	N/A	25%	20%
Max. leverage (debt)	N/A	50%	25%

Notes

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Disclaimer
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