

The Savills logo, featuring the word "savills" in a lowercase, red, sans-serif font, positioned to the right of a solid yellow square.

LISBON RESIDENTIAL MARKET

A RISING STAR

MAY | 2022



FOREWORD

RICARDO GARCIA | DIRECTOR RESIDENTIAL

WELCOME TO OUR STUDY "LISBON - A RISING STAR". IT IS WITH GREAT SATISFACTION, PRIDE AND ENTHUSIASM THAT I PARTICIPATE IN THIS STUDY.

At Savills we pay special attention to research, analysis and monitoring of the market and trends. This study not only reflects quantitative indicators, but also our market knowledge and experience built on our day-to-day interaction with our clients in the Lisbon market.

Lisbon, and Portugal in general, are trending - we are a "rising star" in the residential market. Our mild climate, favourable geographical position - even more relevant in the current war scenario-, expert talent, high safety index, rich history, and culture, are some of the many factors that combined differentiate Portugal in the global market. This is evidenced in the most recent study by Savills, which ranked the 15 prime residential markets preferred by digital nomads by considering factors such as internet speed, quality of life, weather, air transport connectivity, and the price of rents, and elected Lisbon as the preferred choice ahead of Miami and Dubai.

Mainly because of this trend, it is expected that the prices will continue to rise in Lisbon as demand will continue to outstrip supply. The continuous rising of the construction costs, affecting property developers and home buyers, is also expected to impact the prices. However, the impact that the increase in interest rates will have in the prime residential market is still uncertain. In Lisbon there is a long way to go to develop the residential offer available in the market, not only in terms of quantity but also in terms of the type. There are neighbourhoods and areas in rapid development, such as Marvila or Beato, but there is still a lot of rehabilitation to be done in the more central neighbourhoods.

In Lisbon, customers are looking for products associated with lifestyle, where they can live in a community, with common spaces, and where they can also have a space dedicated to remote working. The efficiency and sustainability levels of buildings are now also a priority for homeowners as a result of the pandemic and the growing awareness of health and quality of life. These trends are in line with more mature markets and with the existing offer in cities competing with the lifestyle offered by Lisbon, where prices also continue to rise such as Miami or Berlin.

The rental market is still not competitive, neither in terms of number of properties available nor quality, even with the increase on supply of more than 40% between 2019 and 2020. As a result of a growing market pressure, with young professionals looking for mobility, flexibility and a sense of sharing and community, the built to rent (BTR) market is getting some momentum.

Absent the restrictions that have existed in the last two years, it is anticipated that 2022 will be (another) an historic year in the residential sector in Lisbon, reaching new levels of sales volume as a result of the trend of the last 10 years which shows the number of foreigners living in Portugal has increased by 40%.

French, Americans and British will continue to lead the demand in central Lisbon. This is despite the recent changes in the Golden Visa rules, affecting Lisbon and Porto, which are not expected to have a material impact on the international demand

Another great year is anticipated, and the impact will be felt in the economy in a tangible way through investment, job creation and end user consumption, but also from an intangible perspective in the form of the acculturation process that different cultures will bring to our society. New ways of working, new ways and offerings of services, and learning from cultures different from ours. This will have an invaluable medium-long term impact.



"LISBON IS A SOPHISTICATED CITY THAT STANDS OUT FOR THE QUALITY OF ITS UNIVERSITIES, INFRASTRUCTURE AND SECURITY, FOR ITS ACCESS TO PRIVATE CAPITAL, FOR HAVING A STABLE LOCAL GOVERNMENT AND FOR BEING A SUSTAINABLE CITY" 21 PLACES OF THE FUTURE."

COGNIZANT

Much more than a country of sun, sea and excellent gastronomy, Portugal is one of the most appealing destinations to live in. Safety, climate, quality of life, affordable prices, varied cultural and leisure offer, quality of the education system and a notoriously international business ecosystem, are all factors that are already well known and which underpin Portugal's popularity as a residential destination.

In recent years, Lisbon, the capital known as the city of the "Seven Hills" has crossed borders, becoming one of the coolest European capitals. Winner of numerous international tourism awards, Lisbon is the perfect example of a city that combines a rich historical and architectural heritage with the innovation of modern times.

"MAGNIFICENTLY SITUATED ON A SERIES OF HILLS THAT DESCEND INTO THE GREAT RIVER TAGUS, LISBON IS ONE OF THE MOST BEAUTIFUL CITIES IN THE WORLD. WALKING THROUGH ITS COLOURFUL AND PICTURESQUE STREETS, YOU WILL CONSTANTLY COME ACROSS THE MOST BEAUTIFUL AND SURPRISING SIGHTS, ESPECIALLY FROM THE VIEWPOINTS AND ESPLANADES STRATEGICALLY LOCATED AT THE TOP OF EACH HILL."

URBAN CITY GUIDE

INTERNATIONAL AWARDS

BEST CITY BREAL DESTINATION IN THE WORLD
WORLD TRAVEL AWARDS 2020

MOST DESIRABLE SHORT DISTANCE CITY
WANDERLUST TRAVEL AWARDS 2021

A MUST-SEE CITY FOR YOUNG WORKERS IN EUROPE CENTER FOR THE FUTURE OF WORK,
COGNIZANT

EUROPE'S MOST CULTURALLY DYNAMIC CITY
EUROPEAN COMISSION, 2019

LISBON 7TH PLACE IN THE RANKING OF THE 10 CITIES IN THE WORLD WITH BEST QUALITY OF LIFE
MONOCLE MAGAZINE, 2021

CITY OF THE YEAR
DESIGN AWARDS 2017, WALLPAPER MAGAZINE



LISBON IN NUMBERS

2.8 MILLION INHABITANTS IN THE LISBON REGION

354,000 COMPANIES
(OF WHICH 111,000 ARE IN LISBON CITY)

36 % WEIGHT OF THE GDP OF THE LISBON REGION IN THE NATIONAL GDP.

5 MILLION GUESTS
PER YEAR. MORE THAN HALF FROM EXTERNAL MARKETS

89 HIGHER EDUCATION INSTITUTIONS
(PUBLIC AND PRIVATE) IN THE LISBON REGION

MORE THAN 41 %
OF THE CITY'S RESIDENT POPULATION HAS HIGHER ACADEMIC QUALIFICATIONS

140 RESEARCH CENTRES

RESIDENT POPULATION IN LISBON CITY

545,923 HABITANTS
-1.2% - VAR. 2011

53 % POPULATION
AGES BETWEEN 25 - 64 YEARS OLD

49,223 BUILDINGS
-6.6% - VAR. 2011

320,143 DWELLINGS
-2.0% - VAR. 2011

76 % PRIMARY RESIDENCE

242,618 FAMILY HOUSEHOLDS
1.3% - VAR. 2011

35% 👤
32% 👤👤
16% 👤👤👤
11% 👤👤👤👤
5% 👤👤👤👤👤+

👤 = 1 PERSON



NUMBERS AND TRENDS

According to the 2021 Census, in the last ten years the resident population in Portugal decreased by 2.1%. In the Lisbon Metropolitan Area, which represents 28% of the national population, there was an increase of 1.7% in the total number of resident population and a positive evolution of 4% regarding the number of households (1.1 million).

The Metropolitan Area of Lisbon accounts for 29% of the households in Portugal, with more than 60% of households made up of one or two people. Only 5% of the families living in the Metropolitan Area of Lisbon have 5 or more people in their composition.

In the last ten years, the unbalanced distribution of the Portuguese population throughout the national territory has become evident, with a greater concentration of the population in coastal areas and near the capital. There is also an ageing population. In 2021, for every 100 young people there will be 182 elderly people.

As regards the evolution of dwellings, there was a timid increase of 1.7% at a lower rate than that observed in the decade 2000-2010. In the Lisbon Metropolitan Area, the growth in the number of dwellings was below the evolution of the resident population, putting the existing supply under pressure.

The population aged 65 and over has increased by 20.6% in Portugal, roughly the same percentage in the Lisbon Metropolitan Area. Currently, 53% of the population of this region is between the ages of 25-64 and 21.6% is aged 65 or over.

Reborn after a long and profound process of urban regeneration, the city of Lisbon has undergone socio-demographic and economic changes that have completely modified its dynamics, turning it into a modern and innovative urban metropolis of the world.

The process of urban regeneration, responsible for the change of use of office buildings and residential buildings for tourism purposes, together with a very expressive increase in new residential projects aimed at the high-end and luxury market, has gradually made it more difficult for Portuguese families on average incomes to settle in the city centre.

As the city increases its notoriety and visibility in the global context, being the headquarters of many international companies and the stage for international events, it is also becoming a magnet for new nationalities of buyers and residents who are playing an active role in changing the city. The city centre has become increasingly attractive to foreign buyers, boosted by fiscal mechanisms such as the Golden Visa and Non Habitual Resident Regime, which have made it possible for foreign investors to be granted residence permits to purchase property, contributing to Lisbon's rise in value and placing it in the international rankings of best cities to live in.



THE NEW TRIBES

It wasn't just new health and safety concerns that the Covid-19 pandemic brought into everyday life. Portugal, now knows "new tribes" brought by the pandemic and the more widespread practice of new hybrid working models. Motivated by the greater flexibility of remote work, digital nomads, freelancers and expatriate professionals find in Portugal a safe haven to live, helping to dynamise and shape the Portuguese residential market.

In the last ten years, the number of foreigners living in Portugal has increased by 40%, to more than half a million people and with a weight of 5.4% in the total Portuguese population.

The demand for housing by foreign families is now joined by the new tribes of professionals, boosting the residential purchase and rental market. Americans, French and British people "are top of the charts", with a high preference for central locations, with a good network of services and transport, with dwellings that offer more flexible, spacious spaces and outdoor areas.

In the last two years, Lisbon has become a destination for those seeking the hustle and bustle of a typical European capital, but offering a balanced combination of business, culture and leisure. New social dynamism has taken hold in Lisbon, with a mix of new nationalities bringing life to once forgotten areas and neighbourhoods of the city, which are now the target of new, modern, quality residential real estate projects, complemented by the support of increasingly vibrant high street retail.



LISBON SMART CITY

ENERGY | EFFICIENCY | CONNECTIVITY | MOBILITY

EUROPEAN GREEN CAPITAL 2020, THE CITY OF LISBON IS THE PERFECT EXAMPLE OF A BET ON THE PROMOTION OF MOBILITY MEASURES BASED ON SUSTAINABILITY AND ECOLOGICALLY MORE RESPONSIBLE.

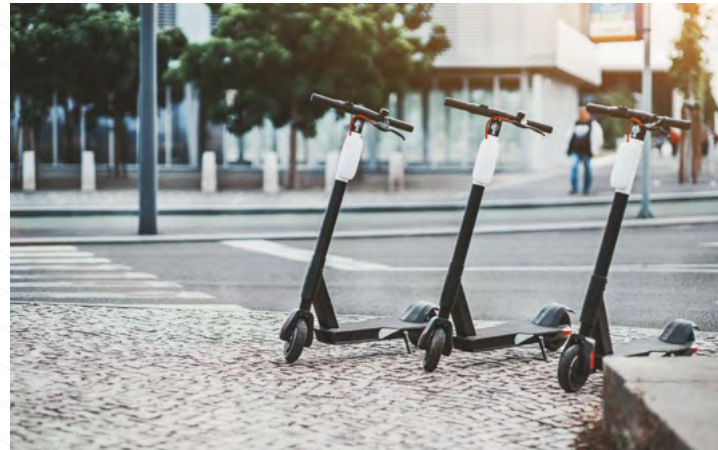
With the signing of the New Global Covenant of Mayors for Climate and Energy, which established the goal of reducing GHG emissions by 60% in 2030, the increase in energy efficiency has gone from a "nice to have" to a "must have", not only in the name of achieving the proposed goal, but also aiming at an increase in the quality of life of its inhabitants.

The city of the seven hills offers a range of sustainable means of mobility that allow those who enter its borders to move around easily. By foot, bicycle, electric scooter, public transport or shared vehicles, the range of possibilities is gradually growing, within a global framework of sustainable development.

More than 400,000 people enter Lisbon every day, coming from the various districts surrounding the city. The creation of a single fare pass, set at €30 in Lisbon and €40 in the Lisbon Metropolitan Area, is a historic measure to simplify and reduce fares, which has led to a 30% increase in demand.

In 2019, there were already 17 shared transport operators in the city of Lisbon, in a sum of 30,000 daily trips made by about 400,000 users. Driven by public initiatives to encourage sustainable mobility, the interest of private companies in creating complementary mobility services has also increased. **With recourse to technological systems, which successfully combine the universe of data connection with shared vehicles, the investments made by private companies have been very important in the new dynamics of the city of Lisbon.**

A Smart City that aims to attract more residents, increase the quality of its residential park, attract investors, offer new residential models that are in line with current demographic trends, culminating in an increase in the quality of life of its residents through the application of energy efficiency, mobility and social cohesion measures.



Elected one of the "Smart Cities" by the European Union alongside the cities of London and Milan, Lisbon has charted a course towards a more competitive, innovative, sustainable and creative city.



"BY 2030, LISBON AIMS TO REDUCE THE USE OF PRIVATE CAR USE BY 28%, REACHING A MODAL SPLIT OF 66% FOR PUBLIC TRANSPORT, WALKING AND CYCLING."

PEDALA LISBOA



69%

Of trips in Lisbon are less than 5 km. One third are made by car.



30%

Of the journeys in Lisbon are on foot or by bicycle.



138%

Increase in bicycle use in Lisbon from 2017 to 2020.

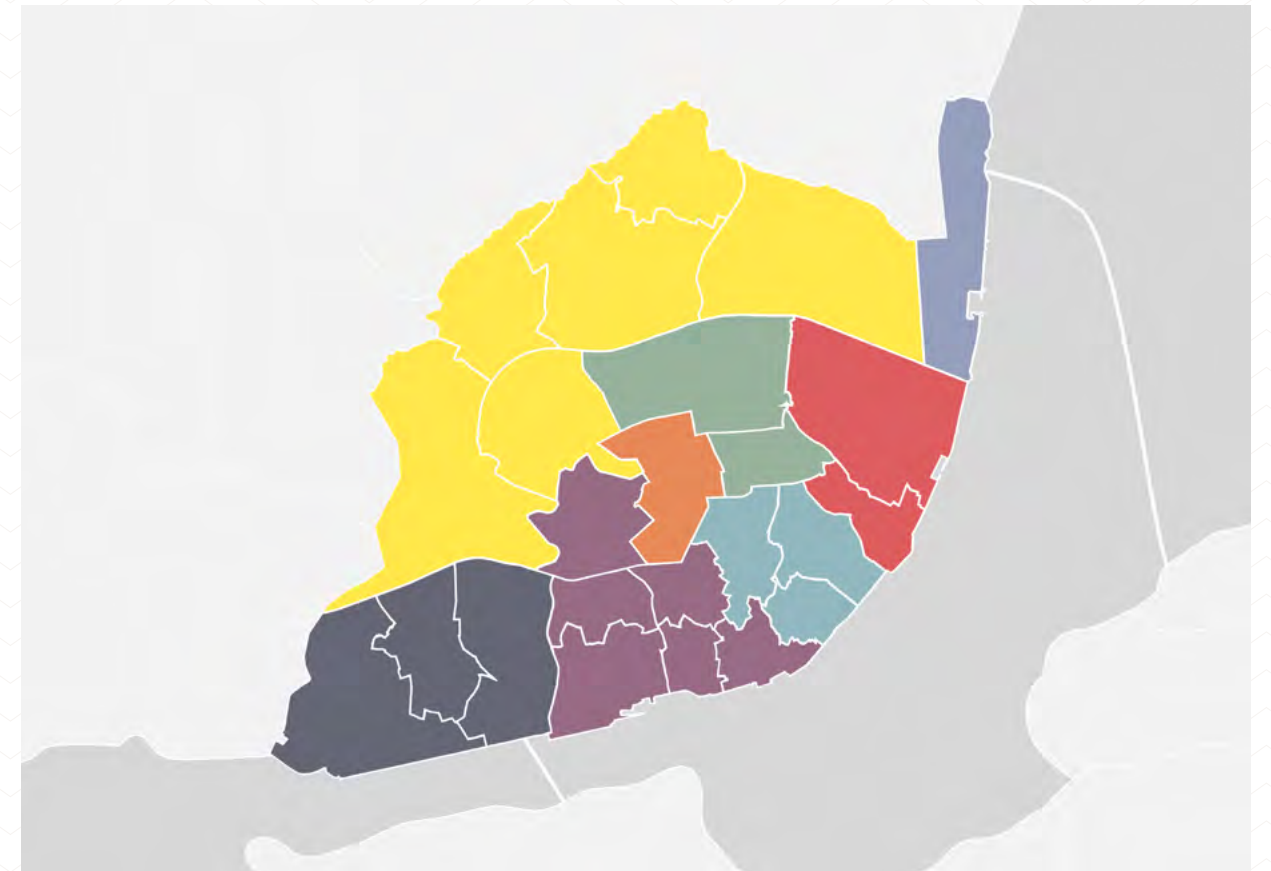


GET TO KNOW

LISBON | RESIDENTIAL ZONES

AVERAGE SALE PRICE PER SQ M - LISBON CITY MARKET

SOURCE: SAVILLS



Source: Savills

PRIME ZONE:
€8.000 - €9.500

CENTRAL ZONE:
€6.500 - €7.500

WEST RIVERSIDE:
€5.000 - €7.500

HISTORIC HILLSIDE ZONE:
€5.000 - €7.000

EAST RIVERSIDE:
€5.000 - €6.000

UPPER CENTRAL ZONE:
€6.000 - €7.000

PARQUE DAS NAÇÕES:
€7.500

UPTOWN RING:
€3.000 - €5.200

PRIME ZONE | MAIN AXES

AV. LIBERDADE

Definition of the concept of luxury, Av. da Liberdade attracts tourists and international investors who find in this area of the capital, several luxury residential projects, the result of deep urban rehabilitation processes, reinventing buildings, but always maintaining the historical character of the facades and architectural features that make Av. da Liberdade unique.

It enjoys a unique centrality, which allows its residents to be within walking distance of other central points of the city, such as Amoreiras, Príncipe Real or Saldanha.

A market area aimed at the luxury market, with high quality projects that offer parking, balconies, terraces, swimming pools, gymnasiums and security services. Predominance of the typologies T2.

Asking Price/sq m:
8.000€ - 10.000€

CHIADO

To talk about Chiado is to talk about charm, personality, history and luxury. Chiado is a magnet of attraction for those seeking to experience and feel the historical atmosphere of the capital, who value being in the heart of the city and walking through alleys and streets that are filled with bars, trendy restaurants, fashion shops, art galleries and antique shops. With a cosmopolitan atmosphere, filled with sounds from the four corners of the world, where tourists and residents mingle harmoniously, Chiado offers the perfect balance between the authenticity of Portuguese history and Lisbon's increasingly international and urban environment.

A market area aimed at the luxury market, with a predominance of two bedroom typologies. Most of the projects have generous balconies and terraces, many of them with river views.

Asking Price/sq m:
8.000€ - 12.000€

BAIXA

Between Rossio and the Tagus River, stretches the Pombaline downtown area between parallel and perpendicular streets. Its trademark image, the Arco da Rua Augusta, which reveals the magnificent Praça do Comércio facing the Tagus River, is a delight to the tourists who visit this part of Lisbon. Its old buildings, many of which still preserve original features from the Pombaline era, have been extensively renovated for both tourist and residential use. With a diversity of high street retail, that mixes restaurants and esplanades with traditional shops and fashion shops from well known international mass-market chains, Baixa de Lisboa provides unique experiences.

The residential supply is very concentrated in one bedroom apartments, with high ceilings and balconies with generous views to the river.

Asking Price/sq m:
8.000€ - 9.500€

PRÍNCIPE REAL

Surrounded by an atmosphere that takes us back to the time of kings, where palaces and buildings once belonged to the Portuguese nobility still exist, Príncipe Real exudes charm and refinement. The well known Príncipe Real Garden is a tribute to green spaces, which allows its residents to enjoy moments of leisure.

With a distinct retail offer, it is the area of choice for exclusive brands with unique designs, promoted by national and international brands. The residential projects offer a sophisticated architecture, with a predominance of two bedrooms, with several properties with balconies and terraces opening onto the Tagus River.

Asking Price/sq m:
8.000€ - 11.000€

CAMPO DE OURIQUE

It is a residential area very much focused on the concept of neighbourhood, convenience, ideal for families seeking the centrality of the city but at the same time live in an area that offers more tranquility, green spaces and a complete retail offer. Easy to access, it allows you to move comfortably through its flat streets, enjoying gardens, restaurants and cafes.

Integrated in the Prime zone of the city of Lisbon, it offers mostly two bedroom flats, with garages, balconies and outdoor terraces.

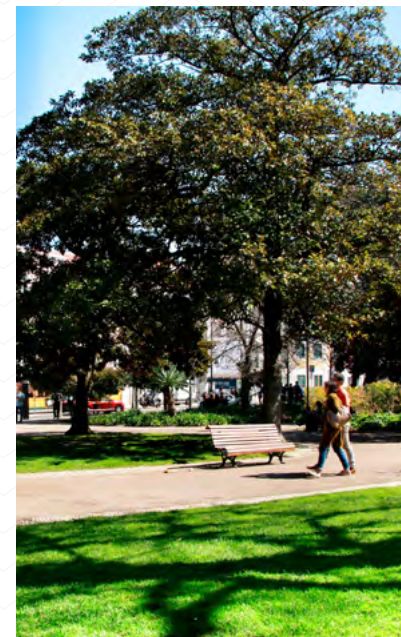
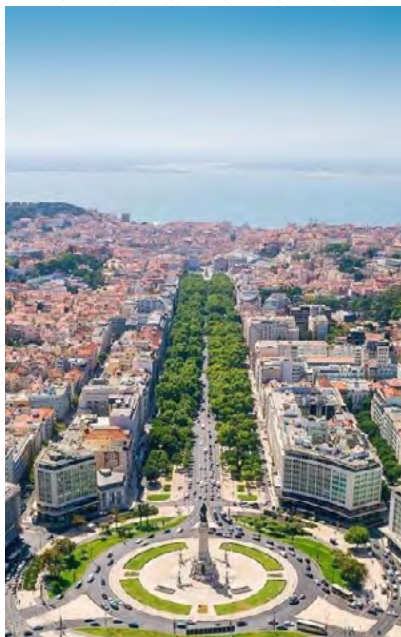
Asking Price/sq m:
5.500€ - 6.500€

ESTRELA

One of the most charming areas of Lisbon, with the presence of palatial houses and a privileged view of the river. Known for being inhabited by several generations of families, it is here that the well known Jardim da Estrela is located, a great central meeting point for residents, tourists and students who stroll around this area of the city. It also offers a diversified offer of schools, services and retail, making the life of its residents more comfortable and convenient.

The new residential projects offer mostly two bedroom units with balconies and open terraces, with some buildings also offering outdoor areas and swimming pools. Almost all units offer parking spaces.

Asking Price/sq m:
7.000€ - 9.500€



CENTRAL ZONE | MAIN AXES

AVENIDAS NOVAS

In the heart of the city, it stretches between avenues and central streets, where residential buildings mix with office buildings, trendy restaurants, retail shops and green spaces. In this area, one can feel the dynamism, the movement and the internationalization that the city of Lisbon has experienced in recent years. A prestigious area, where a mix of award-winning historic buildings and renovated buildings with modern features prevails, it is served by a network of cycle paths that allow faster and more sustainable travel.

Its flat configuration, which stretches along parallel streets, allows those who live and work in this central area of the city to have a neighbourhood experience, where everything is just a few steps away.

Asking Price/sq m:
7.000€ - 8.000€



UPPER CENTRAL ZONE | MAIN AXES

BAIRRO DE ALVALADE

Small neighbourhood, but with a diversified retail offer that attracts new residents. Its main artery is Av. da Igreja, where traditional restaurants mix with more modern gastronomic concepts. It is a neighbourhood of families and for families who value living in the centre of Lisbon, but in an area far from the hustle and bustle, with green spaces.

The most abundant typologies are predominantly 3 bedrooms, with parking spaces, terraces and balconies.

Asking Price/sq m:
6.000€ - 7.500€



WEST RIVERSIDE | MAIN AXES

ALCÂNTARA

It is an example of an area of the city that has reinvented itself. Forgotten for years, it has always been easily associated with the presence of old industrial warehouses and grey buildings, with poor access to the city centre. In recent years, and greatly boosted by the location of renowned companies that decided to invest in deep, highly creative renovations of old buildings, Alcântara has been brought back to life.

Home of the well-known Lx Factory, it enjoys a privileged view of Rio and a relaxed, creative and young atmosphere. Among restaurants, bars, green spaces and cultural spaces, there is now a quality residential offer, with a predominance of one bedroom flats, many of them with good outdoor areas, balconies, terraces and parking.

Asking Price/sq m:
6.200€ - 8.000€



BELÉM & AJUDA

One of the most visited tourist spots, Belém is known beyond borders for its historical monuments, the ones erected in the Age of Discovery, such as the Tower of Belém or the Jerónimos Monastery. It is also here that the Centro Cultural de Belém and the new museum dedicated to architecture and technology, the emblematic MAAT, are located.

It offers large residences, with most of the supply directed towards T4+ units, provided with parking spaces and good amenities such as swimming pools, gardens and gymnasiums, integrated in the new construction and renovation projects of high quality and prestige.

Asking Price/sq m:
5.500€ - 7.000€



EAST RIVERSIDE | MAIN AXES

MARVILA & BEATO

Characterised by an industrial environment, with extensive areas of warehouses and abandoned places, the area of Marvila and Beato has been reborn in recent years. The choice of this area of the city by well-known chefs and restaurateurs to locate their original restaurants, innovative from a creative point of view, of high gastronomy, gave the necessary impulse to the rebirth of Marvila as a trendy destination area.

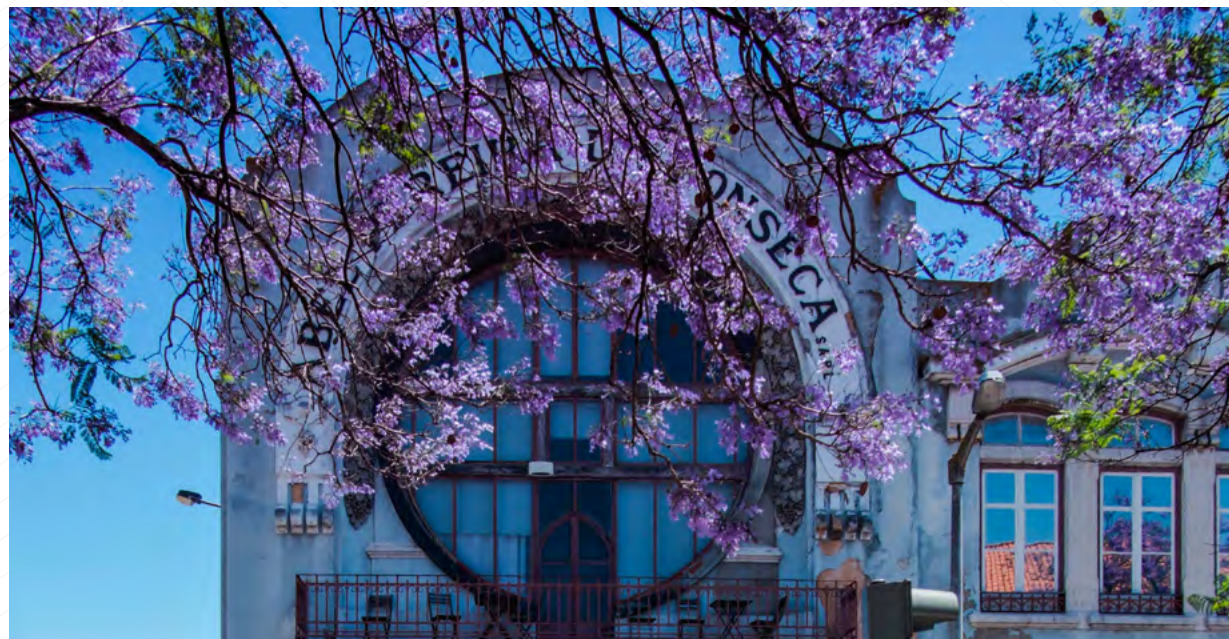
It is also worth mentioning the potential that this market area has revealed as a natural expansion area for the Lisbon office market.

An example of this is the Beato Creative Hub Project, an innovation centre for creative and technological companies

that is being created in a complex of disused factories on the eastern riverside of Lisbon.

Scheduled to open in 2022, it already has few spaces available. One of the anchor-companies of Factory Lisbon is Mercedes-Benz.io, the largest digital centre of Mercedes worldwide. In terms of residential supply, there is a predominance of two bedroom units, with generous areas, garages, terraces and several projects have common outdoor spaces.

Asking Price/sq m:
5.600€ - 7.000€



HISTORIC HILL SIDE | MAIN AXES

ALFAMA

One of the most popular and characteristic quarters of Lisbon. Among its narrow streets and steep stairs, Alfama is visited every year by thousands of tourists. With a Portuguese and historical soul, Alfama is one of the oldest areas of Lisbon, full of history and tradition. The sound of Fado, Intangible Heritage of Humanity, echoes in the streets of Alfama, in its various Fado Houses and restaurants of fine cuisine.

Most of the residential supply in the Alfama area is aimed at those seeking smaller typologies, with a high number of one bedroom flats. Most of the new residential units, offer balconies overlooking the Tagus River and Lisbon.

Asking Price/sq m:
4.500€ - 8.000€



GRAÇA

Set within the tradition of Lisbon's historic quarters, Graça brings with it a new, younger and more artistic atmosphere that blends harmoniously with the historic elements. The environment that mixes the old with the new, in an action of modernization and attraction of the younger classes.

Graça values urban art, it is the stage of artistic manifestations and murals of renowned national and international artists, as is the case of Shepard Fairey or the Portuguese artist Vhils.

Its residential offer is concentrated mainly in the type T2, in flats that offer generous areas, balconies and parking spaces.

Asking Price/sq m:
5.600€ - 7.000€



PARQUE DAS NAÇÕES | MAIN AXES

PARQUE DAS NAÇÕES

Also known as the Expo Zone, located in the eastern part of Lisbon, Parque das Nações was born out of a necessary urbanistic process, which allowed Portugal to host the 1998 World Expo, and subsequently led to the creation of various infrastructures and facilities that reinvented Parque das Nações as a target area for quality and prestigious residential projects aimed at the upper and upper middle class.

It is the choice of a diverse and well known range of multinational companies, mostly dedicated to the TMT sector, who find in Parque das Nações a set of attractive factors for establishing their business. Considered the most modern area of the city of Lisbon.

With buildings that rise up with modern façades overlooking Rio, Parque das Nações has created a new centrality. It is provided with a complete transport hub and a very close location to Lisbon Airport (10 minutes away). Its excellent accessibility both to the city centre and to the rest of the country makes Parque das Nações a very competitive location in the Lisbon market. It also has public and public schools, which attract families to this area, who value the quality of life that allows them to walk or cycle along the river.

Its residential park has a more modern character, which cuts with the tradition and history of the neighbourhoods located in the heart of the city.

Asking Price/sq m:
5.500€ - 8.000€



UPTOWN RING | MAIN AXES

This area includes Lisbon's most recent neighbourhoods, in a concentric ring around the main road into the city, the Segunda Circular. It is made up of the residential neighbourhoods of Benfica, Carnide, São Domingos de Benfica and Olivais, where the middle and upper-middle classes live, as well as Telheiras and Alta de Lisboa (Lumiar), which are the most recent residential areas, resulting from urban plans begun in the 1970s and 1980s respectively. Being quite heterogeneous, this zone is dominated by new and high rise construction, green spaces and a wide range of services and high street shops. It benefits from the proximity to the main road axes and a network of transport services to the city centre and outside the city.

AVENIDA GOMES PEREIRA

Benfica's main avenue that concentrated industry and street commerce. The industrial spaces were replaced by residential projects.

LARANJEIRAS & LUZ STREETS

The road that connects S. Domingos de Benfica and Carnide. It has around it older construction on the Carnide side and newer medium-high construction in S.Domingos de Benfica. Both have shops, leisure and services.

TELHEIRAS

Rua Professor João Barreira, known as the "doctors' neighbourhood", due to its attractiveness to graduates when it was created. This street has a large number of cafés and nightlife spots.

AVENIDA DE BERLIM

The artery that divides the neighborhood of Olivais between north and south, has the particularity of uniting the Lisbon Airport and the Gare do Oriente / Parque das Nações.



AS THE LISBON MARKET DEVELOPS, THE SURROUNDING AREAS BENEFIT FROM THIS ATTRACTION. CASCAIS AND OEIRAS, DUE TO THEIR PROXIMITY, ARE EMERGING AS THE "NEXT BIG THING", SINCE THEIR URBANISM AND CONSTRUCTION QUALITY ARE VERY APPEALING TO THOSE SEEKING TO BE CLOSE TO LISBON AND AT THE SAME TIME LIVE WITH QUALITY OF LIFE AND ENJOY GREEN SPACES AND EASY ACCESS TO THE COASTLINE. BOTH ALSO BENEFIT FROM THEIR OWN CULTURAL AND HISTORICAL IDENTITY, WHICH COMPLETES AND DIVERSIFIES THE ATTRACTIVENESS OF THE OFFER OF THE LISBON METROPOLITAN AREA.



CASCAIS

The municipality of Cascais, located about 20 km from Lisbon, where the temperate climate, the Atlantic coast, royal palaces and a wide range of tourism combine, classifying it as the Portuguese Riviera. Due to its concentration of international residents and wealthy Portuguese families, it is where a significant part of the prime residential market of the Lisbon Metropolitan Area is located.

Traditionally a national and international second home, the municipality has developed, offering a wider range of services, commerce and leisure that last all year round, becoming increasingly more residential and solidifying its prime character.

The market is characterised by Cascais and Estoril the most attractive and the most premium, where you can find villas in large resorts, villas by the sea or converted places in exclusive condominiums.

At the eastern end, Carcavelos, seen as an emerging market, benefits from its proximity to the sea and to Lisbon, offering new and refurbished construction, green spaces and more competitive but equality prime prices.

OEIRAS

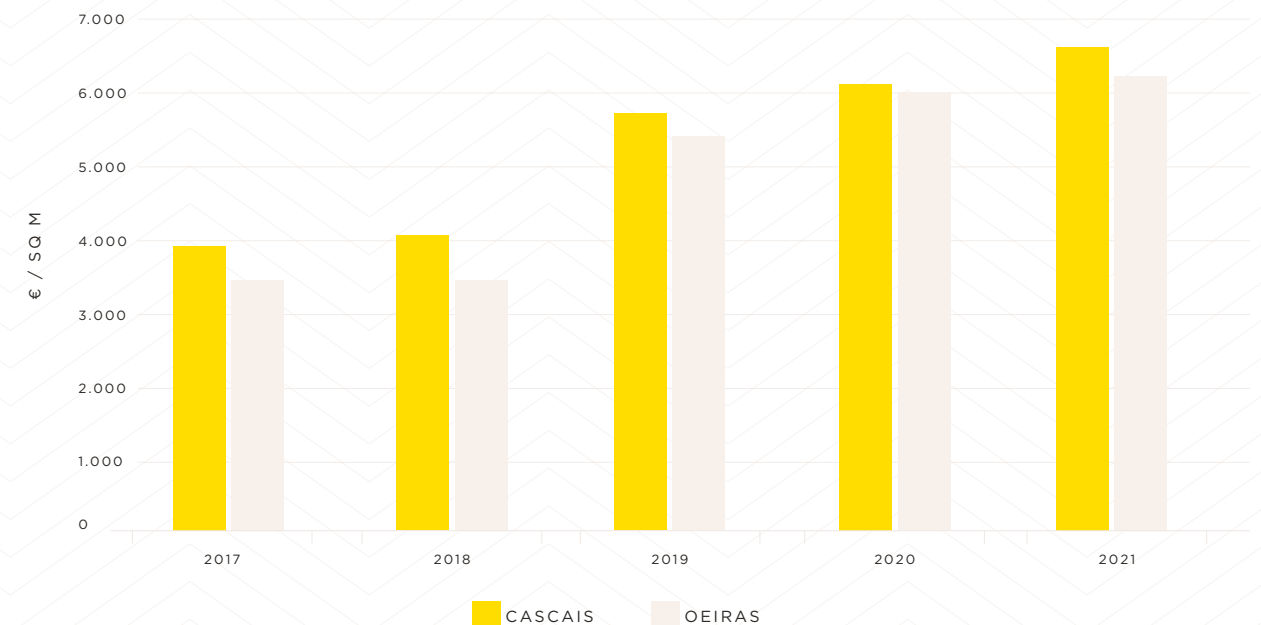
The municipality of Oeiras, strategically located between Cascais, Sintra and Lisbon, has grown benefiting from Lisbon's population expansion and the attractiveness of its location, next to the Tagus River Estuary. By offering beaches and space for planned urban growth, it has managed to attract and develop residential projects for the middle and upper middle classes, combining developments made up of both flats and houses. For this reason it is the municipality with the highest per capita income in the country and the municipality with the highest concentration of people with higher education.

Recently, it has been defined as a pole of attraction for national and international companies in the area of science, technology and innovation. It also has a large number of universities and research institutes.

Oeiras has a very heterogeneous residential offer. Some of the older prime developments and villas are located by the river, in Paço de Arcos and Caxias, some having resulted from the requalification of historical facilities, and interspersed with middle-class housing developments. The most recent ones are located inland, in Linda-a-Velha and Carnaxide, in an area of planned expansion, with quality construction, and already in accordance with current needs (post-pandemic). In this respect, this municipality is well positioned, since it has plenty of available construction area and pipeline projects.

EVOLUTION OF AVERAGE SALE PRICE PER SQ M - PRIME RESIDENTIAL PRICES

SOURCE: SAVILLS ANALYSING SIR



LISBON

EVOLUTION OF HOUSE PRICES

Between 2013 and 2019, the residential market in Lisbon was mostly concentrated in urban rehabilitation projects in the Lisbon city centre, supported by government programmes and benefits, and targeting the Golden Visa market, diverting the focus from new construction, despite the high demand.

Over the last few years, new construction has been challenged by several factors, namely high construction costs and delays in licensing processes.

As a result, new supply has decreased by 25% since 2019, despite a 6% increase in 2020. Currently, new residential construction in Lisbon tends towards the medium - high segments. **A challenge for the coming years lies in creating a modern supply, with larger areas, at affordable prices, adjusted to the needs and possibilities of the national middle class.**

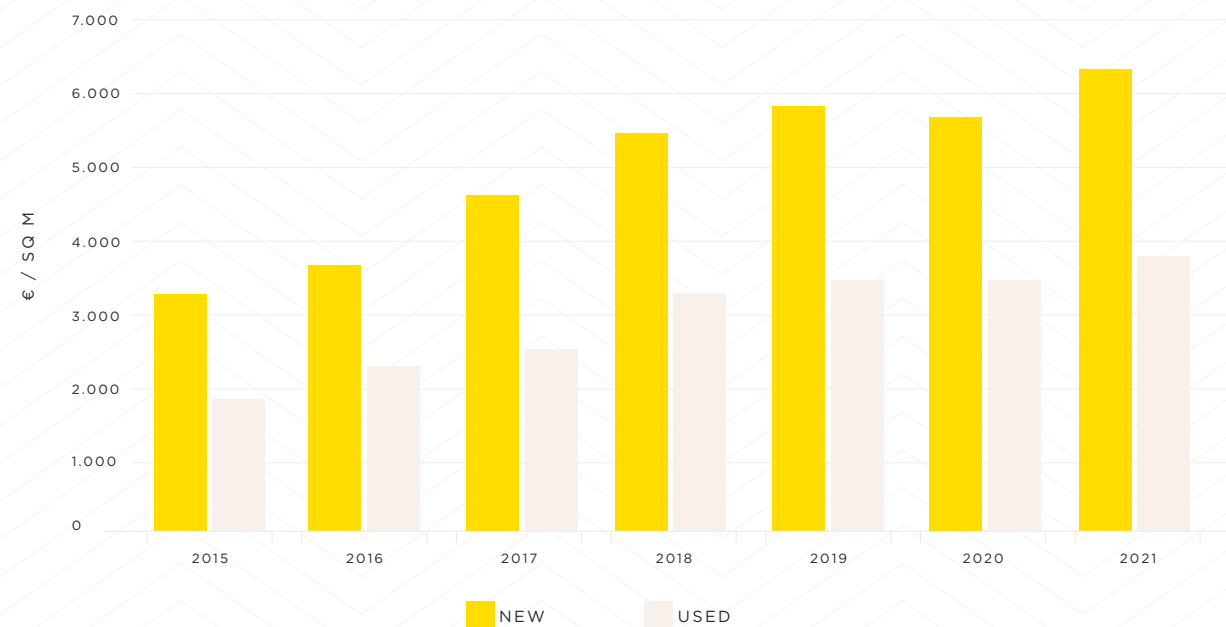
In 2021 and still under the effect of the pandemic context, the national residential market continued to beat historical records, fully recovering to prepandemic values. In the year as a whole, just over 165,000 homes were sold for a total volume of 28,000 million euros. Compared to 2020, there was a 27% rise in the number of homes sold and a 13% increase compared to 2019. The city of Lisbon took 22% of the total number of dwellings sold in the Lisbon Metropolitan Area.

In the Lisbon city market, the parishes of Avenidas Novas (Central Zone), Santo António and Estrela (Prime Zone) are the areas with the highest supply of dwellings, presenting sales values above the average for the Lisbon municipality (€3,973/sq m).

IN 2021, THE AVERAGE SALE PRICE/SQ M IN LISBON WAS € 3,973/SQ M, THE HIGHEST VALUE OF THE LAST FIVE YEARS, REPRESENTING AN INCREASE OF 4% COMPARED TO 2020 AND AN INCREASE OF 6% COMPARED TO 2019, BEFORE THE PANDEMIC. THE NUMBER OF SALES ALSO ACCOMPANIED THE RISE IN AVERAGE SALE PRICES, WITH MORE THAN 11,000 DWELLINGS SOLD, A GROWTH OF 17% COMPARED TO 2020 AND A VERY RESIDUAL DECREASE OF 1% COMPARED TO 2019.

EVOLUTION OF AVERAGE SALE PRICE PER SQ M - LISBON CITY MARKET

SOURCE: SAVILLS ANALYSING SIR



PRIME MARKET

Although with some price contractions during the pandemic due to a natural fall in activity in the international market, Lisbon's prime residential market has excelled by its stability and extreme resilience, being an attractive and safe investment, resistant to economic fluctuations.

According to the World Cities Prime Residential Index Study, prepared by Savills, Lisbon outperformed the average Prime segment prices of cities such as Madrid and Barcelona, and it is expected that this segment will follow the worldwide growth trend (4.3%), but at a more moderate rate (1.9%), compared to the rate observed in previous years, which will tend to stabilise.

In the Lisbon city market, the supply for sale in the parishes of Santo António and Misericórdia, integrated into the Prime Zone and the parish of Avenidas Novas (Central Zone) maintains the highest values/sq m, close to €6,000/sq m, also maintaining an upward trajectory and rapid recovery compared to the values observed in the pre-pandemic period.

By the end of 2021, Lisbon had a supply of new homes close to 6,000 units, which represents 35% of the supply available in the capital, with the Prime Zone having the largest share of available supply with 33%. Compared to the year 2020, the number of units decreased by about 25% supporting the buyers' preference to direct their investments to the city of Lisbon. The cosmopolitan urban centre, with good accessibility and transport, health and technology infrastructures are key factors for Lisbon's success as an international residential destination.

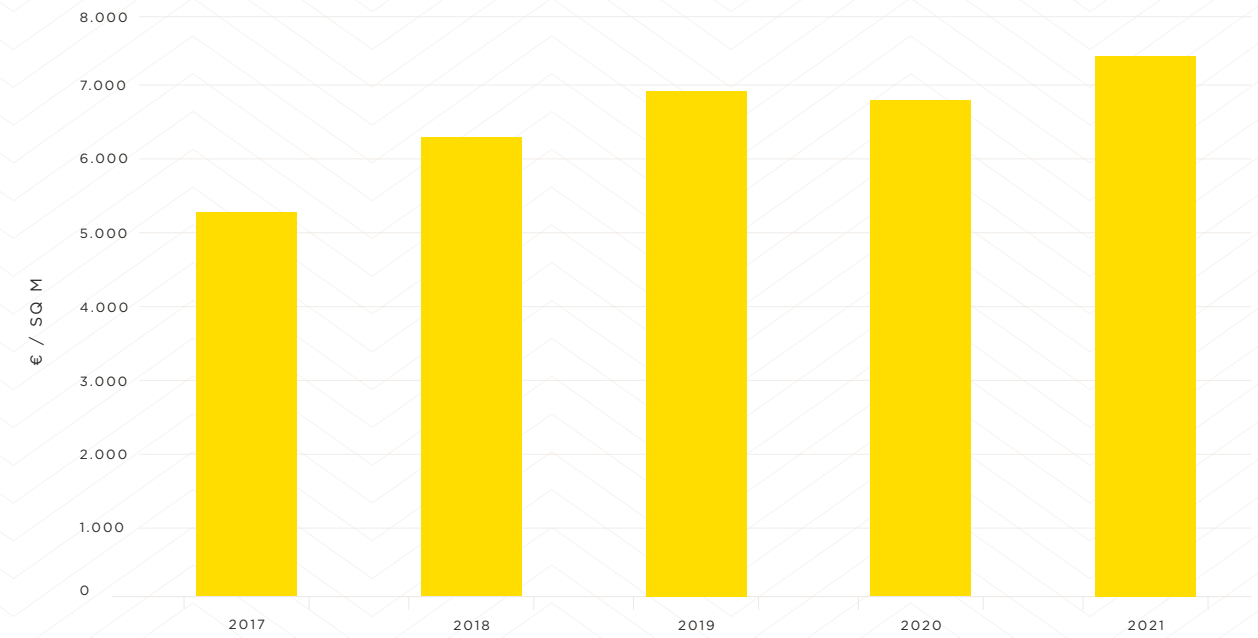
The location, with sea and river views, the quality of construction and energy efficiency, the exclusivity of the projects, whether penthouses or villas with large outdoor areas or private pools, and spaces with new features such as office, gym or wellness area, are increasingly valued by prime market buyers.

Lisbon has become very attractive to foreign investors, driven first by tourism and later by foreign investment incentives such as Gold Visas and the Tax Regime for non-habitual residents.



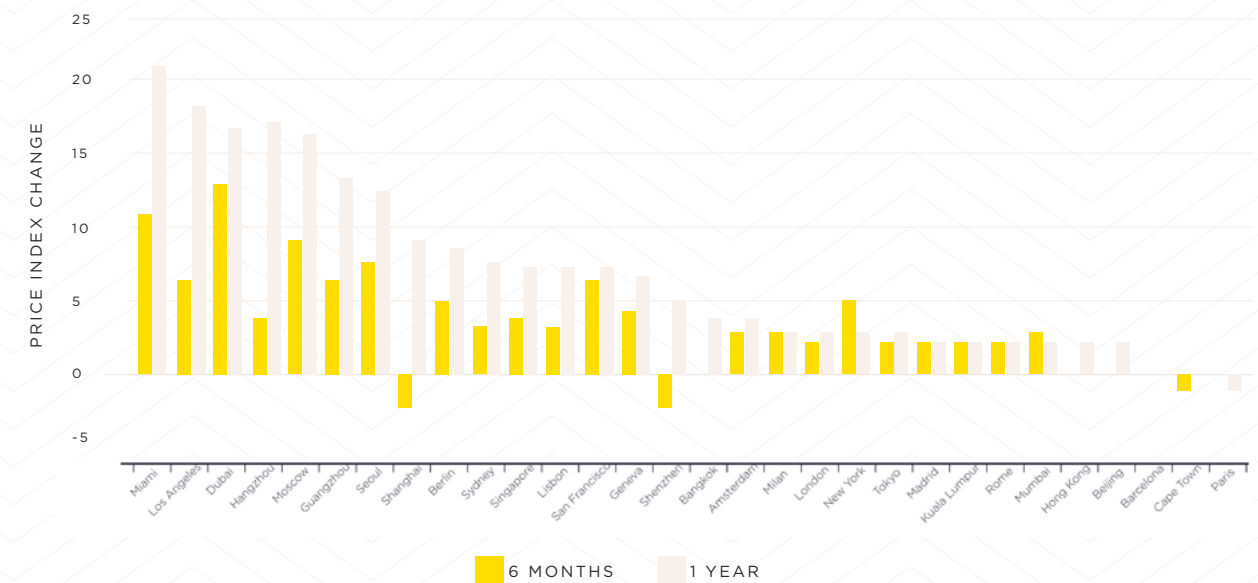
PRIME MARKET - EVOLUTION OF AVERAGE SALE PRICES PER SQ M - LISBON CITY MARKET

SOURCE: SAVILLS ANALYSING SIR



CAPITAL VALUE GROWTH (DEC. 21) - PRIME RESIDENTIAL PRICES

SOURCE: SAVILLS



RISING CONSTRUCTION COSTS

IMPACT ON THE RESIDENTIAL MARKET

The continuous increase in construction costs, together with the increase in the cost of materials and the shortage of skilled labour, is a challenge for the real estate sector.

At the end of January 2022, there was a homologous increase in the construction costs of new housing of 7.2%, with the price of materials and the cost of labour registering homologous variations of 9.1% and 4.5%, respectively, according to the statistics released by INE. **This trajectory had already been observed in December 2021, with new housing construction costs increasing by 6.8% year-on-year and the price of materials and the cost of labour, with year-on-year increases of 8.0% and 5.1% respectively.**

The Covid-19 pandemic is assumed as one of the major elements driving this increase. Faced with the pandemic context there was a perception of an expected decrease in demand, leading producers of raw materials to reduce their production stocks. Given the favourable evolution of economic recovery, the prices of material costs are now under greater pressure, which may have an impact on the increase in the final value of property.



Portugal continues to benefit from demand that shows no signs of slowing down, leveraged by international investors and a growing percentage of Portuguese families and investors, who recognise the attractiveness of the residential market as an income product, with more competitive returns than other classes of financial products. The pandemic crisis also demonstrated the resilience of the national real estate market in general, but particularly of the residential market, which exceeded pre-pandemic levels in terms of number of transactions and investment volume. A strong demand, translated into the success and speed of absorption of the new supply that comes onto the market and which is sold, in many cases, still in the planning stage. And for this demand, the current supply remains scarce.

It is difficult to make exact forecasts of the true impacts and duration of this price escalation, but it is certain that the challenges facing developers and builders are already being felt. Given the current situation, the price increase may be reflected in the prices of housing already underway, in an extension of the construction period, as well as lead to possible postponements and the adoption of wait and see strategies by developers, until a new decrease and stabilisation of prices in the world market is achieved.

BUILDING STOCK

LISBON METROPOLITAN AREA

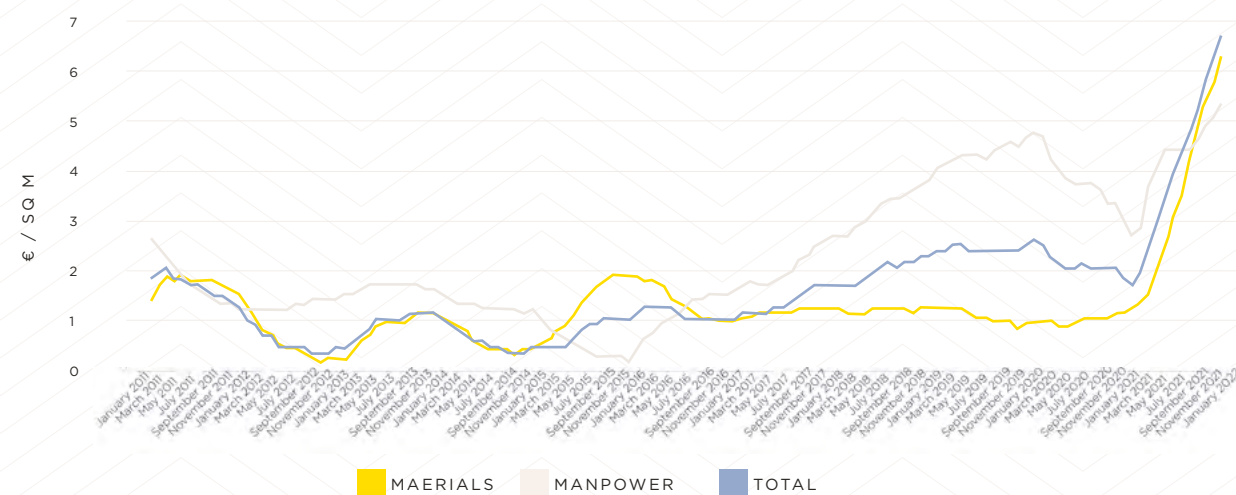
- **BUILDINGS:** 452,582
- **UNITS:** 947 499 1
- **PRIMARY RESIDENCE:** 79%
- **STOCK GROWTH OVER THE LAST 10 YEARS:** 3%

LISBON CITY

- **BUILDINGS:** 223,49
- **UNITS:** 143 320
- **PRIMARY RESIDENCE:** 76%
- **STOCK GROWTH OVER THE LAST 10 YEARS:** 1,6%

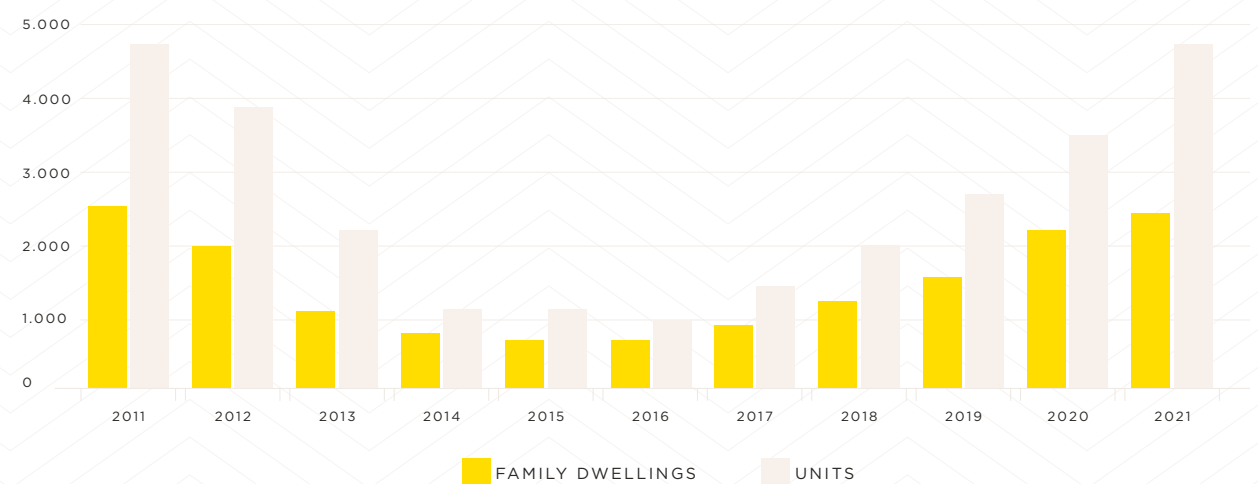
EVOLUTION OF CONSTRUCTION COSTS

SOURCE: INE



EVOLUTION OF COMPLETED BUILDINGS FOR FAMILY HOUSING IN LISBON METROPOLITAN AREA

SOURCE: INE



INTEREST RATES

IMPACT ON PORTUGUESE RESIDENTIAL SECTOR

FROM A MACROECONOMIC POINT OF VIEW, THE LAST TWO YEARS HAVE BROUGHT BENEFITS FOR HOUSEHOLD SAVINGS. THE UNEMPLOYMENT RATE AND INFLATION HAVE REMAINED LOW AND STABLE AND THE AMOUNTS OF TERM DEPOSITS AND CURRENT DEPOSITS HAVE INCREASED.

In the banking sector, new mortgage lending rose 34% compared to 2020, albeit supported by tighter rules to minimise default risk and interest rates at historically low levels. **In Portugal, the pandemic crisis did not cause a reversal of the growing sales trend. Supported by a set of favourable macroeconomic factors, the high demand continues to exert pressure on the current supply.** But given the announced rise in inflation rates and the increase in interest rates by the European Central Bank, what impact will this have on demand in the national residential sector? With the more and more imminent scenario of rising interest rates indicated for the year 2022, the question that arises now is what impact will it have on the monthly budget of families and what impact will it have on applications for and granting of home loans?



In Portugal, more than 90% of bank loans are at variable rates, with average financing amounts increasing annually. In recent years, as an instrument for stimulating and boosting the economy, interest rates have been negative.

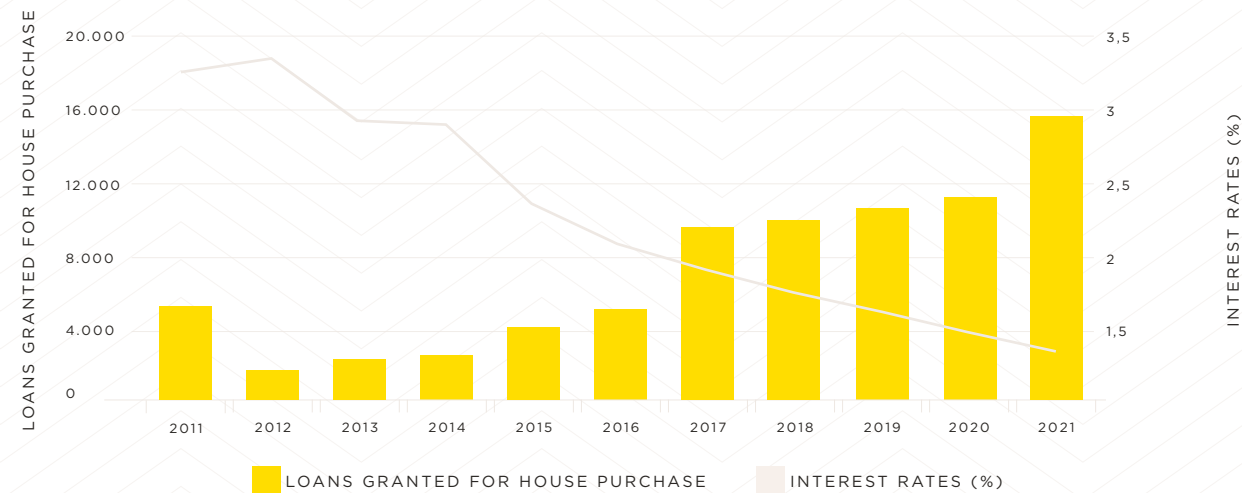
The increase in the inflation rate in the Euro Zone (in February 2022 it reached 5.8% due to the increase in fuel prices), is putting greater pressure on a review of European monetary policy, which should lead to an impact on the Euribor rate in 2022.

In Portugal, families are not expected to feel in the short term the strong impact of the increase in their monthly mortgage payments.

Even so, it is clear that the cycle of encouragement and expansion is reversing, with interest rates starting a slow and gradual upward trajectory towards positive levels, together with the increase in the cost of financing and **the recent decision of the Bank of Portugal to establish new deadlines for payment of mortgage loans, with a shortening of the period for those over 40 years old.**

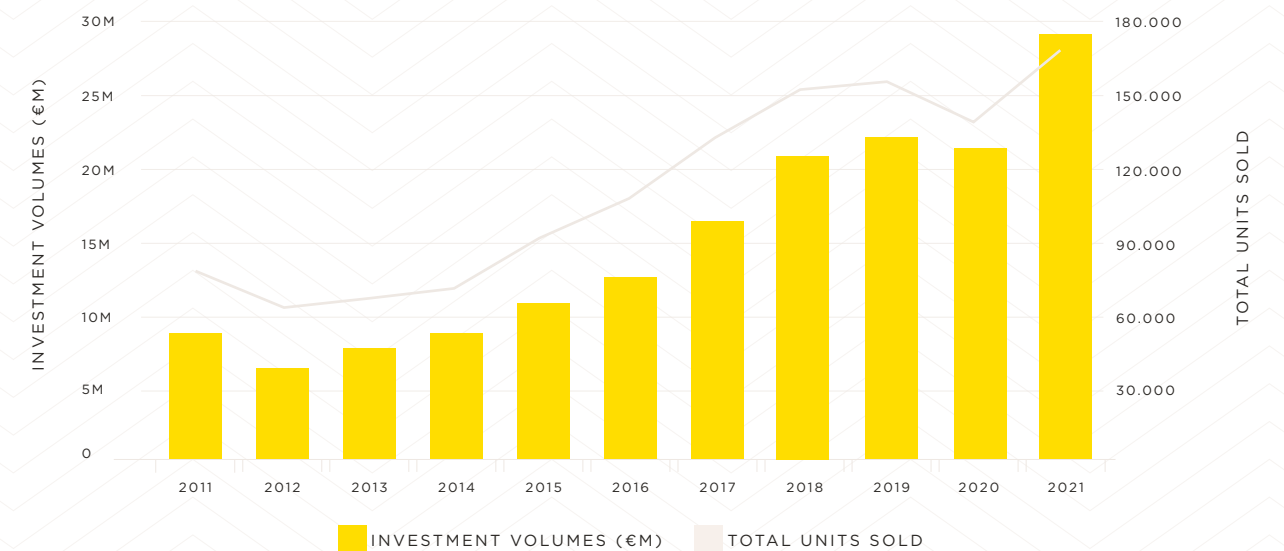
EVOLUTION OF LOANS GRANTED FOR HOUSE PURCHASE (MILLION€) VS INTEREST RATES (%)

SOURCE: BANK OF PORTUGAL



EVOLUTION OF HOUSES SOLD VS VOLUME OF INVESTMENT

SOURCE: INE



SINCE COVID 19

WHAT HAS CHANGED?



Demand for housing remained high, but with different motivations and orientations. The pandemic, with its compulsory confinements and the obligation to work from home made families reassess their needs.

We soon realised that most homes were not prepared for working from home, that most worked at the dining room table or in the kitchen without a clear division between the family sphere and the work space.

Larger homes, outdoor space and areas convertible into a workplace became the most desired requirements when searching for a new home. The demand for more outdoor space and contact with nature led to an increase in demand in locations outside large urban centres / with lower population density.

BUYER'S PROFILE

SOURCE: SAVILLS RESIDENTIAL DEPARTMENT

					
	FRANCE	UK	BRAZIL	CHINA	USA
AREAS OF PREFERENCE	AVENIDA DA LIBERDADE AMOREIRAS ESTRELA PRÍNCIPE REAL GRAÇA	AVENIDA DA LIBERDADE AMOREIRAS ESTRELA CASCAIS	AVENIDA DA LIBERDADE CHIADO PRÍNCIPE REAL CASCIAS ESTORIL	EXPO CASCAIS	AVENIDA DA LIBERDADE AMOREIRAS ESTRELA PRÍNCIPE REAL
ACQUISITION PURPOSES	PERMANENT RESIDENCE SECOND HOME	GOLDEN VISA SECOND HOME	GOLDEN VISA PERMANENT RESIDENCE SECOND HOME	GOLDEN VISA INVESTMENT FOR FUTURE INCOME	PERMANENT RESIDENCE SECOND HOME
VALUED CHARACTERISTICS	LOCAL PRESTIGE REHABILITATED CLASSIC BUILDINGS RIVER VIEW	LOCAL PRESTIGE	2 ROOMS (MIN) SUITES ARCHITECTURAL STYLE CONVEYING HIGH SOCIAL STATUS	GUARANTEED RETURN ON INVESTMENT	LOCAL PRESTIGE REHABILITATED CLASSIC BUILDINGS RIVER VIEW
AMENITIES AND VALUED SERVICES	ARE NOT A PRIORITY	POOL GYM	POOL GYM GARDENS WIDE BALCONIES	ARE NOT A PRIORITY	POOL GYM



THE PANDEMIC BROUGHT INCREASED CONCERN NOT ONLY ABOUT HEALTH AND SAFETY ISSUES, BUT ALSO A NEW AWARENESS OF THE EFFICIENCY AND SUSTAINABILITY LEVELS OF BUILDINGS. SUSTAINABILITY IS NOW HIGH ON THE GLOBAL POLITICAL AGENDA, WITH THE GOAL OF ACHIEVING CARBON NEUTRALITY BY 2050. IT IS NO LONGER A CHOICE OF EACH OWNER, BUT AN OBLIGATION OF GOVERNMENTS AND SOCIETY TO EXTEND THE LIFE OF BUILDINGS, INCREASE THEIR RESILIENCE, IMPROVE THEIR COMFORT LEVELS, WITH BENEFITS FOR HEALTH AND QUALITY OF LIFE OF THE POPULATION.

LOVE GREEN

In Portugal, there are several initiatives to support home efficiency improvements. **The Environmental Fund is helping all those who want to make their homes more efficient, encompassing six types of changes and improvements, namely: windows; thermal insulation, air conditioning and hot sanitary and renewable water; photovoltaic panels, water efficiency and materials.**

It has had a high take-up and the Sustainable Buildings Support Programme has already been boosted by more than EUR 15 million.

NEW PROJECTS BRING NEW TRENDS AND EXPERIENCES

Amenities that allow them to stand out and attract new generations of buyers who value a healthy, practical lifestyle with a strong sense of convenience and community. From gyms to gardens, we now see new concepts being born, such as biological gardens or dog parks. **New buildings are also more environmentally friendly, based not only on unique aesthetic concepts, but also aimed at greater durability, functionality and safety for their users, with the use of coefficient materials and the incorporation of sustainable energies.**

GOLDEN VISA

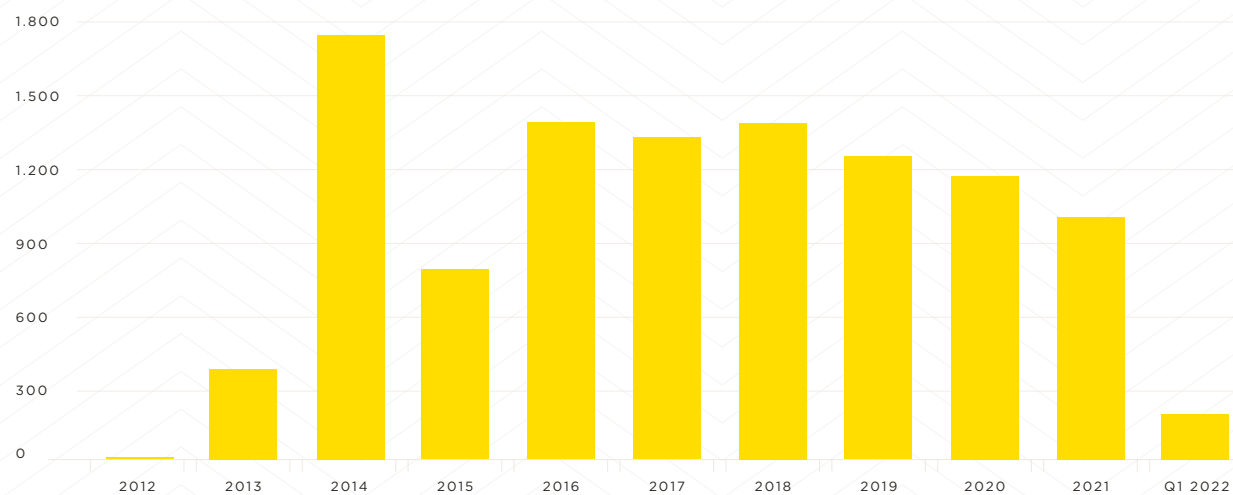
WHAT'S NEXT?

CREATED IN 2012, THE GOLDEN VISA WAS AN INSTRUMENT TO ATTRACT FOREIGN INVESTMENT IN A PERIOD OF ECONOMIC RECOVERY IN PORTUGAL AFTER THE SUB-PRIME CRISIS. BETWEEN OCTOBER 2012 AND MARCH 2022, 10,515 RESIDENCE PERMITS (ARI) WERE GRANTED, OF WHICH 9,780 THROUGH THE ACQUISITION OF REAL ESTATE, FOR A TOTAL INVESTMENT OF €5,604 MILLION. AS OF JANUARY 2022, THE REGIME OF ATTRIBUTION OF RESIDENCE HAS UNDERGONE CHANGES. THE NEW RULES FOR GOLDEN VISAS WILL REDIRECT INVESTMENT TO OTHER AREAS OF THE COUNTRY, WITH LESS DENSITY.



EVOLUTION OF NUMBER OF GOLDEN VISAS GRANTED IN 2012 - 2021

SOURCE: SEF



The regime may undergo further changes, as a possible standardization of EU legislation for the granting of residence visas through investment is under analysis.

Although Golden Visa are no longer granted through the purchase of homes in Lisbon or Porto, there are still other forms and mechanisms that allow for the attribution of Golden Visas through investment in the real estate market.

The Golden Visas have not been extinct, but have been subject to changes in the rules for their attribution.

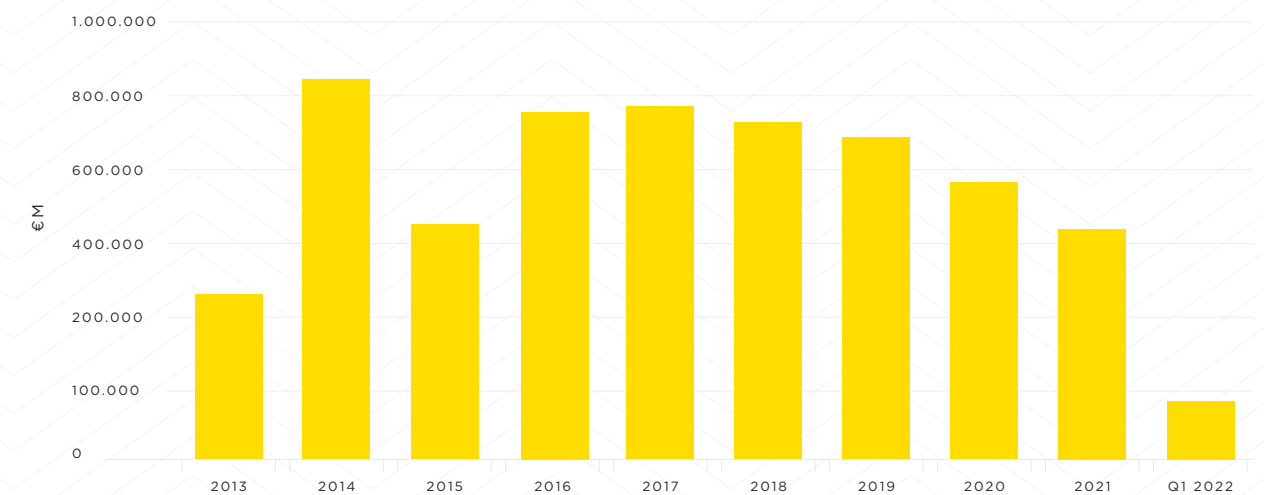
Thus, a foreign investor can continue to invest through the acquisition of shops or offices, Investment Units in Private Equity Funds in the minimum amount of €500 000 or through the purchase of accommodation for tourism purposes.

CHANGES TO GOLDEN VISA PORTUGAL IN 2022

- €500 thousand, on the acquisition of a property. €350 thousand, in the acquisition of a property for rehabilitation purposes .
- Residential property will only be eligible if located within mainland Portugal and on the islands of Madeira & Azores.
- Urban areas, such as Lisbon & Porto, are only available for the purchase of real estate for commercial and tourism purposes.
- Increase of minimum investment values in other investment categories:
- Capital transfers - Maintenance equal to or greater than €1.5 million
- Investment funds - Minimum investment amount of €500 thousand.

EVOLUTION OF THE TOTAL ANNUAL INVESTMENT VOLUME PER YEAR

SOURCE: SEF



WHAT IMPACT WILL IT HAVE ON THE LISBON RESIDENTIAL MARKET?

The growing foreign community has settled in Portugal due to a number of factors. From the good climate almost all year round, to the very affordable cost of living, the quality of transport, health, education and technology services, to security, geopolitical factors such as EU membership and political and social stability, all these factors have been excellent arguments contributing to the settlement of foreigners in Portugal, whether at working age or at retirement.

The pandemic has given a new impetus to settling in Portugal. The possibility of remote work and digitalisation, combined with the proximity to most European capitals make Portugal strategically well placed to domicile a profession that does not require regular office attendance. Although the resident population in Portugal has decreased in the last 10 years, the resident foreign population has increased by 52%, according to INE data.

WITH THE CHANGE IN THE GOLDEN VISA RULES, WHICH WILL BENEFIT INVESTMENTS IN LOW DENSITY TERRITORIES, TAKING SOME PRESSURE OFF THE URBAN CENTRES OF LISBON AND PORTO, WHAT EFFECTS WILL IT HAVE ON THE PRICE TRAJECTORY OF THE PRIME MARKET?

Since the year 2016, Golden Visa both in number and total investment volume of real estate acquisition has been slowly and gradually decreasing. In the period between the years 2011 and 2021, the total volume of investment in the acquisition of real estate by Golden Visa was €5,507 million. Given that the total volume of residential sales in Portugal in the period under review was 156,000 million euros, the weight of Golden Visa is quite residual, in the order of 3.5%. Furthermore, assuming that the majority percentage of investment was made in Lisbon and Porto, this figure rises slightly above 5%.

The change in the Golden Visa rules is not expected to put pressure on the price trajectory of the prime segment.



ALTHOUGH IN THE INITIAL PERIOD OF THE ESTABLISHMENT OF THIS REGIME IN PORTUGAL, THE GOLDEN VISAS MAY HAVE DRIVEN A PRICE ESCALATION STIMULATED BY THE MANDATORY AMOUNTS OF INVESTMENT, THE RESIDENTIAL MARKET AND NAMELY THE PRIME SEGMENT WAS CONSOLIDATED AS AN INVESTMENT DESTINATION, ATTRACTING NATIONALITIES FROM ALL CORNERS OF THE WORLD, BECOMING ATTRACTIVE IN PRICE AND QUALITY COMPARED TO OTHER GLOBAL DESTINATIONS. THE SHARE OF NATIONAL BUYERS IS ALSO INCREASINGLY GAINING MARKET SHARE AND ABSORBING MANY NEW PROJECTS ENTERING THE MARKET.



NON HABITUAL RESIDENT REGIME:

ATTRACTION OF QUALIFIED FOREIGN LABOUR AND PENSIONERS WITH TAX BENEFITS

- Special income tax regime, which aims to attract professionals of activities considered of high added value and people who are earning retirement pensions, who are not resident in Portugal.
- It can be granted for 10 consecutive years. To do so, the applicant has to be considered resident according to Portuguese Law, and not have been taxed as a tax resident in Portugal in the five years prior to the application for the status.

TAX BENEFITS:

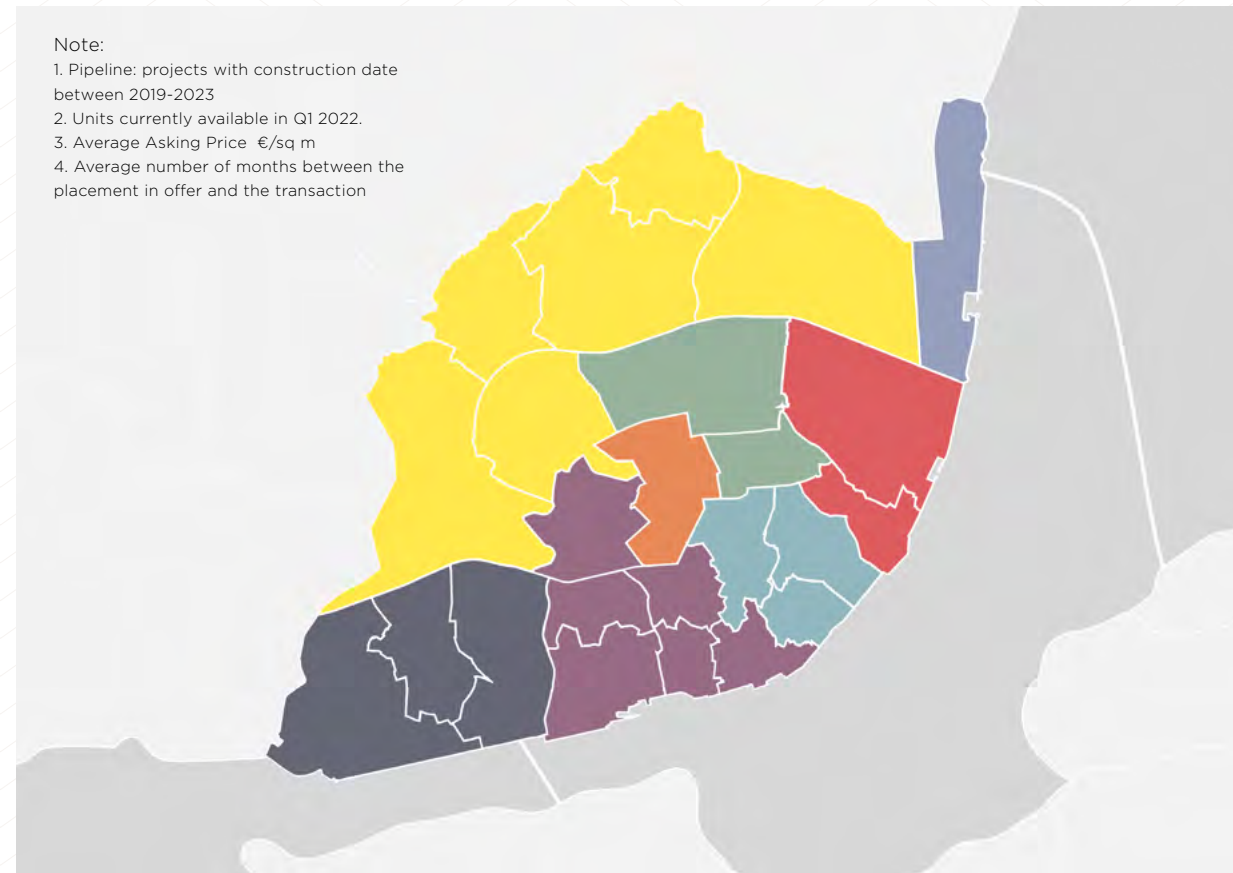
- Fixed IRS rate of 20% for all professionals with activities considered of high added value (e.g. doctors, lawyers, architects, scientists, among others).
- All pensioners who earned from non-Portuguese sources, but domiciled in Portugal, are subject to a 10% IRS rate (prior to 2020, Non-Habitual Resident pensioners were exempt from paying IRS).

The list of territories allowed for the attribution of Gold Visas includes some of the most attractive locations, namely in Alentejo Litoral and Algarve, where high quality and highly attractive projects are being born for international buyers.

PIPELINE

NEW PROJECTS

SOURCE: SAVILLS



Note:
1. Pipeline: projects with construction date between 2019-2023
2. Units currently available in Q1 2022.
3. Average Asking Price €/sq m
4. Average number of months between the placement in offer and the transaction

PRIME ZONE:
124 PROJECTS / >2370 UNITS
2933 UNITS
7.000€ - 9.500€
8.5 MONTHS

CENTRAL ZONE:
39 PROJECTS / 1305 UNITS
842 UNITS
6.500€ - 7.500€
8 MONTHS

WEST RIVERSIDE:
25 PROJECTS / >900 UNITS
685 UNITS
5.000€ - 8.500€
4 MONTHS

HISTORIC HILLSIDE ZONE:
30 PROJECTS / >560 UNITS
1128 UNITS
5.000€ - 6.200€
7 MONTHS

EAST RIVERSIDE:
11 PROJECTS / >540 UNITS
483 UNITS
5.000€ / 6.000€
6.5 MONTHS

UPPER CENTRAL ZONE:
8 PROJECTS / >330 UNITS
489 UNITS
6.000€ - 7.000€
5.5 MONTHS

PARQUE DAS NAÇÕES:
4 PROJECTS / >470 UNITS
208 UNITS
7.500€
7 MONTHS

UPTOWN RING:
23 PROJECTS / >1790 UNITS
1433 UNITS
3.000€ - 5.000€
5.5 MONTHS

NEW PROJECTS

PRATA RIVERSIDE VILLAGE

- EAST RIVERSIDE ZONE - MARVILA
- 219 UNITS
- T0 - T4
- VIC PROPERTIES
- CONCLUSION: Q2 2023

VALRIO

- PARQUE DAS NAÇÕES
- 157 UNITS
- T1 - T4
- SOLYD | HABITAT INVEST
- CONCLUSION: Q2 2022

PROMENADE

- PRIME ZONE - SANTOS
- 36 UNITS
- T1 - T6
- AM 48
- CONCLUSION: Q2 2022

ALVARES CABRAL PREMIUM APARTMENTS

- PRIME ZONE - ESTRELA E LAPA
- 13 UNITS
- T2 - T5
- COPORGEST
- CONCLUSION: Q2 2022

INFINITY TOWER

- PRIME ZONE - CAMPOLIDE
- 195 UNITS
- T0 - T6 DUPLEX
- VANGUARD PROPERTIES
- CONCLUSION: Q4 2022

LX LIVING

- PRIME ZONE - CAMPO DE OURIQUE
- 151 UNITS
- T0 - T4
- REWARD PROPERTIES
- CONCLUSION: Q4 2022

DISTRIKT

- PARQUE DAS NAÇÕES
- 219 UNITS
- T0 - T4
- KRONOS HOMES
- CONCLUSION: Q2 2023

MARINHA PRIME

- CASCAIS
- 55 UNITS
- T1 - T4 DUPLEX
- HABITAT INVEST
- CONCLUSION: Q2 2022

There is a lot to look to. If, on one hand, redevelopment dominates the centre of Lisbon, there is an outer ring, extending to the riverside areas to the east and west, which offers development built from scratch. This construction in the east has a more competitive average price per square meter, while in the west, in Alcântara, it has become more prime focused. This area, in particular, is currently undergoing through major changes, as there are several mega-projects in the pipeline.

As for the prime segment, the core is in the heart of the city, within the historic centre and the more classic neighbourhoods such as Estrela and Campo de Ourique, presenting a large number of projects.

LEASING MARKET

HOW HAVE PRICES EVOLVED WITH THE PANDEMIC

ACCORDING TO EUROSTAT DATA RELEASED IN 2020, ONLY 26% OF THE PORTUGUESE POPULATION LIVES IN RENTED HOUSES.

The landlord culture is very deep-rooted in Portugal, supported by a set of fundamentals that over the last few years have been the main reasons for the attractiveness of the sale market compared to renting: historically low interest rates and very competitive spreads that result in the purchase option being not only more advantageous in terms of financial costs for families, but also representing an investment with potential for appreciation and a possible source of income.

Added to this rationale, there is also a rental offer that does not prove to be competitive, neither in number nor in quality. However, this landlord culture is now beginning to be threatened.

Even though interest rates are at historically low levels, the increase in housing prices has been prohibitive for middle and lower-middle class families. Wages cannot keep pace with rising sales values in the city of Lisbon, leading many families and young people to look to the rental market as a more viable option to secure a home.

The gradual increase in demand for the rental market comes in response not only to the exponential rise in sales prices, particularly in the city centre, but also now strongly driven by the context of the pandemic, which brought with it a sense of uncertainty regarding the financial security of lower income families.

In the last two years, approximately 110,000 new lease contracts were signed in the Metropolitan Area of Lisbon, representing more than 30% of the national total. In the municipality of Lisbon, approximately 33,000 new lease contracts were signed.

At the end of 2021, the average value of new lease contracts stood at €11.18/sq m, representing a decrease compared to the average value observed in 2020 situated at €11.69/sq m and a decrease compared to 2019 with €11.83/sq m.



The half-yearly price fluctuations observed over the last two years reflect the periods of compulsory confinement which, due to mobility restrictions, have led to a drop in activity, putting further pressure on both demand and supply levels. Since the second half of 2017, the rental market was showing signs of recovery with successive rises in average values/ sq m until the end of 2019, only halted by the pandemic that hit Portugal at the end of the 1st quarter of 2020.



According to the SIR platform, the number of dwellings on offer for rent saw an increase of more than 40% between 2019 and 2020, with the entry of about 1,900 dwellings. Underlying this increase is the crisis experienced in the tourism sector that led 10% to 15% of Local Lodging owners to migrate their properties to the traditional rental market.

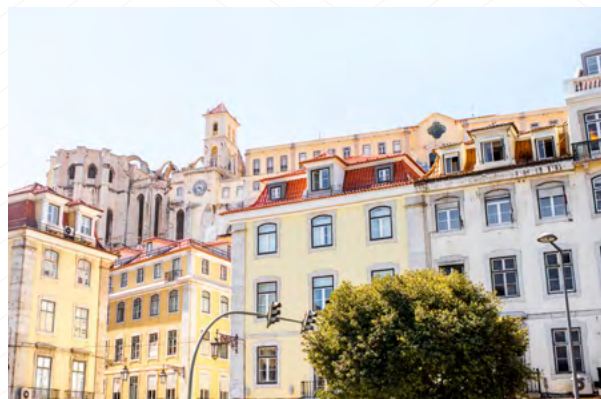
Within the Lisbon city market, the parishes of Santo António and Misericórdia, which are integrated in the Prime Zone, at the end of 2021 presented the highest average rental values per square metre with €13.31 per square metre and €13.07 per square metre respectively. Also the zone of Estrela and Campo de Ourique, which figure at the top of the table of zones in the city of Lisbon with the highest average rental values, continue below the pre-pandemic values by -12% and -10% respectively.

THE OPPORTUNITY OF BTR

Still in its infancy in Portugal, the Built-to-Rent concept is attracting the interest of international developers and investors. The economic and demographic fundamentals play in favour of the development of this product in Affordable Housing and Multifamily.

In addition to the high costs of property acquisition, inaccessible to a significant slice of the Portuguese population, we are now also talking about a paradigm shift brought about by the hand of new generations who promote and defend new values, such as mobility, flexibility, a sense of sharing and community.

Currently, the bet in this segment is still concentrated on international investors and developers who are already present in the real estate market and who now want to diversify their real estate product.

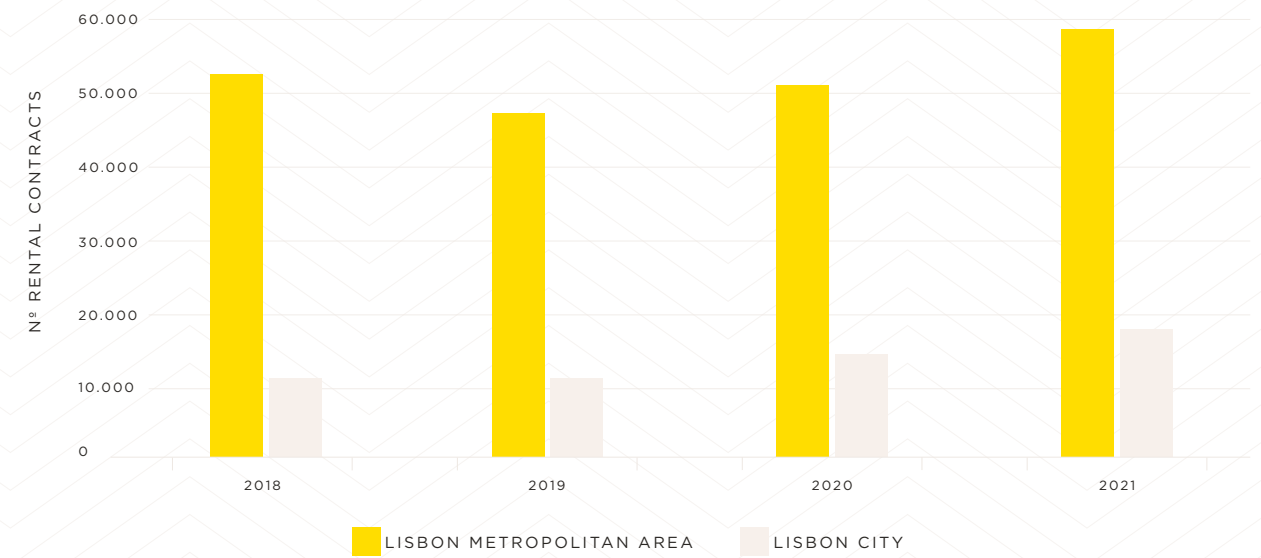


The Lisbon City Council also launched the accessible lease programme, which provides for the construction of dwellings designed for accessible leasing in various parishes of the city of Lisbon. According to a calculation made by Savills, at this moment there are more than 10,000 dwellings expected to enter the market in the next few years.



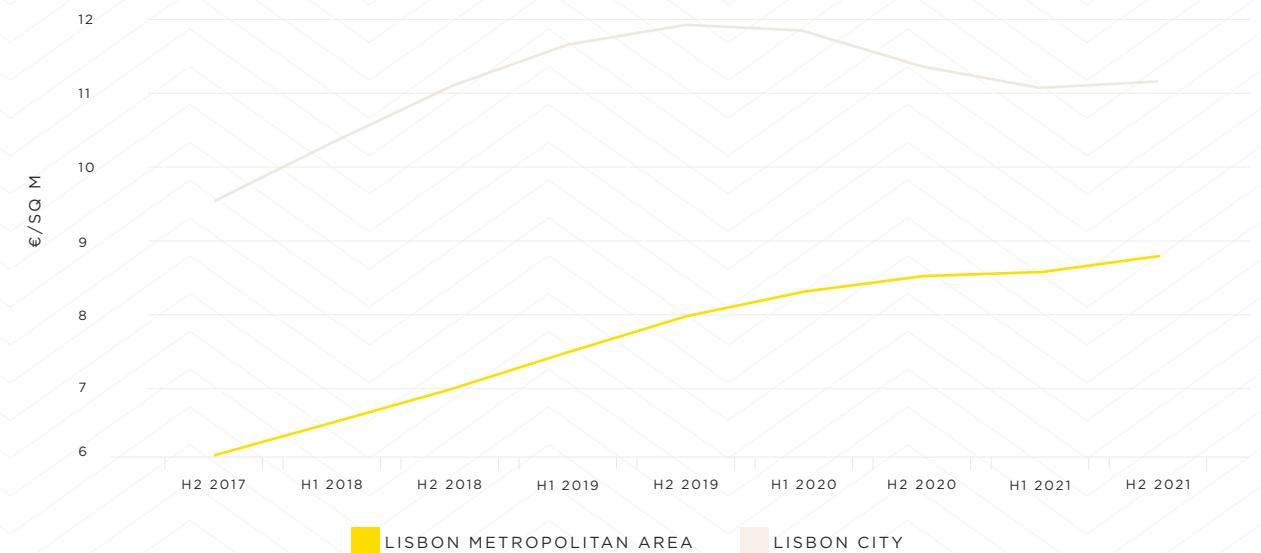
EVOLUTION OF NEW HOUSING RENTAL CONTRACTS

SOURCE: INE



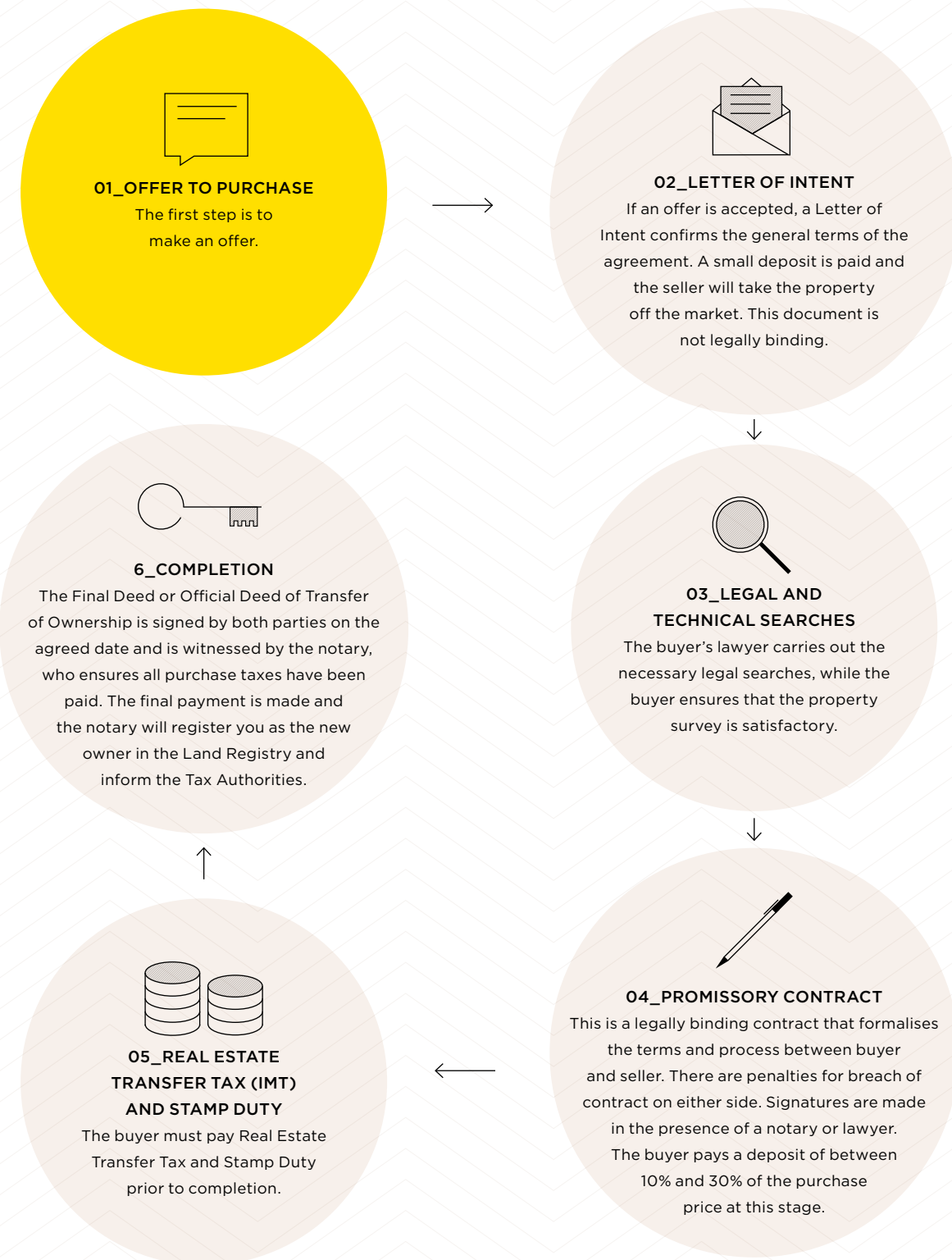
EVOLUTION OF CONTRACTED RENT PRICE/SQ M - AVERAGE VALUES

SOURCE: INE



BUYING REAL ESTATE

IN PORTUGAL



THE PROCESS IN DETAIL

Whether you have arranged a Letter of Intent or not, there are a number of legal procedures to complete ahead of the Promissory Contract. Technical due diligence should also be carried out, but an offer may be made (or the preliminary agreement may be executed) subject to a condition that such investigations will not reveal any material issue or defects. This is often the case where the buyer is generally satisfied with the result of a preliminary due diligence and only a few aspects need to be investigated or finalised.

DOCUMENT CHECKLIST

It is important that the following legal documents are verified. These can be handled by your lawyer, who will make searches to confirm that the property registered conforms to the building and plot being sold, and that the vendor has clear title of ownership and no one else has rights, charges or mortgages over the property.

Fiscal Number

For a non-resident buyer of property in Portugal, it is mandatory to have a Portuguese Fiscal Number from the local tax office. This Number will be used to open a bank account and will appear on documents relating to the purchase of the property and associated taxes.

Use Licence

All properties constructed after 1951 need a Use Licence stating what the building can be used for. This also confirms that the property complies with planning permission and building regulations. If the property was in existence prior to 1951, a certificate to state this must also be obtained.

Technical Habitation Certificate

This is a mandatory document regarding properties destined for residential purposes completed after March 2004.

Land Registry Certificate

Issued by the Land Registry Office.

Tax Registry Certificate

Issued by the Tax Office.

Energy Certificate

This is a legal requirement and serves to certify the energy performance of the property.



PROMISSORY CONTRACT

Once an offer has been made and accepted, a Promissory Contract is typically drawn up between the owner and the buyer. This sets out the terms of the transaction, such as the identity of the owner, a detailed description of the property and land boundaries, registration and tax numbers, purchase price, deposit and date of completion. It is usually prepared by the purchaser's lawyer and might include conditions such as completion of any building work or building permits. The Contract secures the purchase until the sale is concluded. Signatures must be authenticated by a notary or lawyer. At this point, the buyer pays a deposit, usually between 10% and 30% of the purchase price.

Portuguese law protects both parties in case one fails to fulfil any contractual obligation. If the buyer fails to complete the purchase, they risk losing their deposit. If the owner fails to complete the sale, they must repay twice the amount of the deposit. The parties may also agree to subject the Promissory Contract to 'specific performance' in the event of a default. This requires legal action so that the other party fulfils the contract (insist on the sale being completed rather than gaining compensation).



REAL ESTATE TRANSFER TAX (IMT) & STAMP DUTY

Two taxes must be paid before completion: the Portuguese Real Estate Transfer Tax (IMT) and Stamp Duty.

IMT: Real Estate Transfer Tax

Urban property used exclusively for residential purposes: up to 8%*	Rural property: 5%
Urban property not intended exclusively for residential purposes: 6.5%	Property purchased by a company resident in a tax haven: 10%

* Progressive rate due on either the tax value of the property (as set by the Tax Department) or the acquisition price, whichever is higher. Online calculators are available; the official one is <http://apemip.info/info/IMT.cfm>

Stamp Duty

Onerous or free transfers of ownership or parts thereof: **0.8% of the value of the transaction or value of the property, whichever is higher**

And

1. When you inherit a property;
2. When a property is a donation from someone (spouses, descending and ascending relatives who inherit a property or who are the beneficiaries of a donation are exempt)
10% Stamp Duty is payable



COMPLETION

To complete the sale, the buyer must show proof of payment of IMT and Stamp Duty. All parties involved in the purchase/sale must attend, unless the buyer or seller grants power of attorney for another party to act on their behalf, often their lawyer.

The balance of the purchase price is paid and the notary records the transaction in the official record. Once the deed and all other associated transactions are complete, the (new) owner must register the acquisition (definitively, if the Promissory Contract was signed and registered before) at the Land and Property Registry Office, to ensure the transfer of the ownership and the legal proof of ownership.

To develop commercial buildings or carry out large construction projects, usually a protocol of agreement between the Town Hall and the developer is required. It is advisable to request previous confirmation from the Town Hall, in order to ensure the successful implementation of the project.

CORPORATE OWNERSHIP

It is also possible to acquire property indirectly through an equity stake in an investment vehicle owning such property - often done to mitigate tax consequences.

ONGOING COSTS OF OWNERSHIP

IMI: REAL ESTATE TAX

The IMI tax is based on the rateable value of the property as set by the Tax Department. The rate varies from 0.3% to 0.8% a year.

Urban property: 0.3% to 0.45%	Rural property: 0.8%
Property owned by residents in certain off-shore jurisdictions: 7.5%	

ADDITIONAL IMI (AIMI)

The IMI surcharge (Adicional ao IMI), is due by individuals and companies that own urban real-estate properties located in Portuguese territory. However, urban properties classified as commercial, industrial or service-providing are outside the scope of the AIMI.

The AIMI is assessed on the sum of the taxable value of the urban properties owned by each taxpayer as of January 1 of each year.

RATES: INDIVIDUALS

Up to the value of €600,000: no AIMI
On the value between €600,000 and €1 million (married taxpayers and unmarried cohabiting couples who opt for an aggregated taxation are granted a deduction of €1.2 million): 0.7%
On the value that exceeds €1 million (married taxpayers and unmarried cohabiting couples who opt for an aggregated taxation are granted a deduction of €2 million): 1%

These rates also apply when a property owned by a legal entity is allocated to the personal use of shareholders, members of the corporate bodies, or of any administrative, management or supervisory bodies (or their spouses or relatives in the ascending or descending lines).

RATES: COMPANIES

On the global sum of the taxable value of eligible properties (companies are not entitled to any deduction): 0.4%
Due on the global sum of the taxable value of eligible properties, whenever the company is resident in a tax haven: 7.5%

Exemptions: Urban properties which have benefited from an IMI exemption in the previous year are excluded from the surcharge taxable basis.

TAX CONSIDERATIONS WHEN LIVING IN PORTUGAL

PERSONAL INCOME TAX (IRS)

If a resident or non-resident individual receives rental income, the earnings may be taxed.

Residents: 28%* autonomous tax rate	Non-Residents: 28% autonomous tax rate
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* However, if the taxpayer opts to tax the rental income together with any remaining taxable income, such income will be liable to the IRS progressive tax rates up to a maximum of 48%. In this case, a surtax of 2.5% or 5% is applied to the part of the taxable income that exceeds €80,000 or €250,000, respectively. If the property being rented has been subject to eligible urban rehabilitation works, the applicable rate may be reduced to 5%.

CORPORATE INCOME TAX (IRC)

If a resident or non-resident company receives rental income, the sum of the rent, as well as the costs incurred in order to obtain such income, are included in the taxable result of the company.

Residents: the company will be liable to IRC in Portugal, which is due on its taxable profit at a **21%** rate, plus: (i) a municipal surcharge at a rate of up to **1.5%** levied on the taxable profit, and; (ii) a state surcharge on the part of the taxable profit exceeding €1.5 million, at progressive rates up to **9%**

Non-residents without a permanent establishment in Portugal: **25%**

THE NON-HABITUAL RESIDENTS TAX REGIME IN PORTUGAL

In September 2009, the Portuguese Government approved a new regime for non-habitual tax residents.

Who can apply?

It is available to non-resident individuals who decide to become a resident in Portugal, provided they have not been taxed as a Portuguese resident in the five years prior to taking up residence. EU, EEA and Swiss citizens have an automatic right to live in Portugal, and individuals of other nationalities must obtain a residence permit.

What are the qualification conditions?

To qualify, an individual must become a tax resident in Portugal under Portuguese domestic legislation. This means they must either stay in Portugal for more than 183 days during a 12-month period, or keep a house in Portugal that can be considered their personal and permanent address. The regime is applicable for a 10-year unbroken period and is not renewable.

How does taxation work?

The regime differentiates between income derived from a domestic source and income derived from a foreign source.

Domestic-source income

Under the regime's rules, employment and self-employment income derived from high value-added activities of a scientific, artistic or technical nature in Portugal are taxed at a flat rate of 20%. Income from sources other than these high value-added activities are taxed at the normal rates applicable to resident taxpayers.

Rental income, capital gains, dividends and interest earned in Portugal, are also subject to the same rules as the ones applicable to Portuguese residents.

Foreign-source income

Foreign-source employment income is exempt from Portuguese tax as long as it is taxed in the source country under a double taxation treaty or under the OECD-model tax convention. In addition, income must not be considered Portugal-sourced under applicable Portuguese law.

Self-employment income obtained from high added-value activities, royalties, rental income and capital gains are also exempt from Portuguese tax provided they may be taxed in the source country under a double taxation treaty or under the OECD-model tax convention. In addition, income must not be considered Portugal-sourced under applicable Portuguese law.

Occupational pension income is exempt from Portuguese tax as long as it is liable to tax in the source country under a double taxation treaty or it is deemed as not being Portuguese-source income under applicable Portuguese law. ■

WITH THANKS TO...

The conveyancing and tax advice in this 'Buying Real Estate in Portugal' section has been written with the help of CMS Rui Pena & Arnaut, a law firm that dates back to 1964 and is firmly established in the Portuguese market.

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