

# REAL ESTATE IN PORTUGAL 2022

*Market Development / Financing & Investment  
Legal Aspects / Construction & Services*



by **Cristina Arouca**  
Research Director  
CBRE Portugal

**The Portuguese housing market will continue to show resilience as there is still a high level of unmet demand**

It can be many things - the government's bold tax incentives, the competitive prices, the deliciously good smells in the food halls, the music bursting through windows, the high waves a short drive away. The fact of the matter is, the world saw Portugal, and thought, I want my nook here, a space of my own. And thus we find ourselves with one of the world's most dynamic residential markets, ranging from small reconverted flats to secluded luxuriant villas. The numbers below tell the story best.

As of 2022, housing sales will continue to rise, as supply expands to other areas and there is still a high unmet demand. The imbalance between supply and demand, increase in construction costs and delay in licensing procedures, explain the rise in sale prices. And with more digital nomads moving in, the Build-to-Rent market will finally emerge, driven also by affordable housing programs and general social awareness.

The residential market had its own meandering journey before it got to where it is. After plummeting during the financial crisis and Portugal's economic downturn that followed, the sector started revamping in 2014 with the renovation of numerous buildings, initially in Lisbon and Porto's city centers.

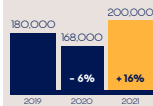
AVERAGE  
SALES PRICES  
2021

LISBON  
EUR 3,900/SQM  
(+2% YOY)

PORTO  
EUR 2,580/SQM  
(+16.5% YOY)

source: JLL

APPROX. 200,000  
HOUSES SOLD IN 2021



source: CBRE

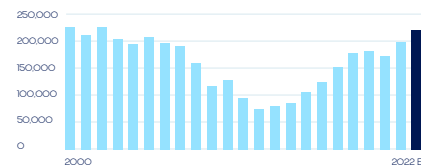
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Simultaneously the Non-Habitual Residents Tax Regime and the Residence Permit for Investment Activity ("Golden Visa"), targeting the European and non-European markets respectively, triggered the rise of a new demand from foreign buyers. We estimate that the number of houses bought by foreigners has more than doubled within a decade, representing 13% of the total units sold, according to the last data available (2019). The French, British and Brazilians comprise the major buyers.

NUMBER OF HOMES SOLD IN PORTUGAL



source: INE and CBRE

The main cities' radical transformation started small, with a few handpicked projects selected for revamping. It escalated, and now greenfield larger schemes are now being built all over the country. Notwithstanding, and despite double digit growth rates over the past four years in the number of new houses completed, construction levels are still low and there is a high unmet demand. An annual average of 76,250 houses were completed in the first decade of the century, contrasting with only 13,000 during the second decade. A close-up at Lisbon and its environs shows that the number of households increased by 66,650 between 2011 and 2021, but only 23,250 houses were built during the same period.

Although official data for the full year has not yet been released at the time of writing, house transactions are expected to have reached approximately 200,000 units in 2021, around 15% more than in the previous year.

We expect that the number of homes sold will continue to increase in 2022. However, we may see some softening in the rhythm of the sales growth. Not only has the covid 19 pandemic slowed down the licensing processes in several municipalities, impacting the availability of new houses for sale; but also it is hard to fathom the long term consequences of the Russia-Ukraine conflict. At a first stage, uncertainty may lead to the postponement of long-term investment decisions such as the purchase of a new home. Looking ahead, we expect interest rates to be kept under control by the central bank, but a continuous increase in energy and food prices will affect household net incomes, and thus the availability of money to consider a housing upgrade.

# NEW LEGISLATIVE REFORMS

Laws have shaped and reshaped Portugal's real estate universe. A package released a decade ago virtually transformed Lisbon, for instance, into a whole new city, revamping decaying buildings and redrawing the map. There are few noteworthy changes that any investors stepping foot into the market should be aware of. The most recent ones enacted include:



## 1 GOLDEN VISA

In relation to foreign investment, new limitations have been introduced to the existing golden visa legal framework, notably by excluding residential investment in the Lisbon and Porto areas, and by raising some of the investment thresholds. Such limitations entered into force in the beginning of 2022. Responses have been mixed - on the one hand the industry acknowledges the benefit of attracting more investors into Portugal's inland and under-developed areas. On the other hand, several have expressed concerns about the impact that will be felt in Lisbon and Porto, especially when combined with other economic austerities.



## 2 NOTARIAL DOCUMENTS BY VIDEOCONFERENCE

The pandemic called for the urgency of the digitalization of many services. This led to an innovative legal framework, which is still pending formal enactment, establishing a "test drive" regime for the remote execution of notarial acts. The new regime is expected to come into force in April 2022 and will mean that certain notarial acts can be performed remotely (with no need of the relevant signatories being present at the notary), including the execution of sale and purchase public deeds of real estate properties, as well as the creation of other in rem rights or securities.



## 3 STUDENT HOUSING

Due to the increased demand for student accommodation, the Portuguese Government created a legal regime for the installation and functioning of residences for higher education students (Decree-Law no. 14/2022, of 13 January).

## 4 ASSET MANAGEMENT FRAMEWORK

The Portuguese Securities Market Commission has recently made available for public consultation the draft of the new Asset Management Framework aiming to review and compile in the same statute the existing General Framework of Collective Investment Undertakings and the Legal Framework for Venture Capital, Social Entrepreneurship and Specialised Investment, which will have a great impact on real estate funds. The key goals of this comprehensive and transversal review of the existing statutes applicable to the asset management sector are to simplify its regulation, turning it into a more effective regime capable of increasing market competitiveness and safeguarding investors. It is expected to enter into force by the end of 2022.



**Diogo IVO CRUZ**  
Project Director  
Invest Lisboa

**INVEST LISBOA**  
Your Atlantic Partner

*Invest Lisboa is a one-stop shop that offers free support to companies that are interested in investing in Lisbon. It is a strategic partnership between the City Council and the Portuguese Chamber of Commerce and Industry with the support of AICEP, the national economic development agency.*

**What is the role of Invest Lisboa in the wider puzzle of the market?**

Invest Lisboa is Lisbon's Investment Promotion Agency. We are responsible for the international promotion of Lisbon, as an investment, business or talent destination and for supporting investors, companies and entrepreneurs in answering the questions "Does Lisbon make sense for my business?" and "How can I settle in Lisbon?".

To help answer these questions we offer a personalized, confidential, and free

support, including advice, information, contacts, help with identifying business partners, premises and investment opportunities to investors, companies and entrepreneurs looking to invest or settle in the region of Lisbon.

**Long licensing timelines are, however, making some investors wary - is there a light at the end of the tunnel for fixing this situation?**

Between 2008 and 2014 the real estate market (affected by the crisis) froze and a lot of projects were postponed;

when the investment dams broke and the market got flooded once again, the system wasn't prepared to take in such a large volume of permits.

The new urban planning Deputy Mayor is aware of the frailties of the licensing process and has made it her goal to bring predictability, improve communication and strengthen the cooperation between investors and the City Hall. The good news is that a transparent digital database of the licensing timeline, that can be consulted by investors, is on its way.



**Jordi VILANOVA**  
President  
Mercan Properties

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*Fortunately, our business is affected in a positive way by the changes to the Golden Visa because they will limit residential investments (Porto and Lisbon being off limits) and instead focus on commercial projects, a strong driver for new jobs especially in construction and hospitality. Moreover, the requested investment into funds will be increased.*



**Pedro LANCASTRE**  
CEO  
JLL Portugal

*In 2021, Portugal sold more than 190,000 apartments, out of which about 1,000 through the Golden Visa program - only a residual margin, as it can be observed. Of course, the structural change you mentioned will have an impact, but it will not be as devastating as some may fear.*

## A WORD OF CAUTION ABOUT LICENCING



**Jose Manuel MORGADO**  
Managing Partner  
PWW Tinsa



A key challenge is that there are no large-scale development spots in Lisbon and buying land to develop from scratch is much riskier than buying a building to renovate due to the VAT rate difference (6% for rehabilitation vs 23% for new buildings). Also, construction prices have almost doubled and the convoluted bureaucracy, with all its licensing issues, is a burden for investors.



The fact that we don't have a clear licensing legislation is the real challenge. Each municipality has its particularities, so it's extremely difficult to establish a constant workflow throughout the projects we're making. In Lisbon it can take up to two years to start the construction and this timeframe is detrimental to foreign investors, so much so that they can't comprehend how such a faulty system can exist. In terms of foreign investments, this is the biggest drawback and a nationwide revamping of the whole legislation is the only solution.



**Pedro SILVA LOPES**  
Owner  
Fragmentos



**Johnny HANNA**  
CEO Portugal  
Estia Developments



We identified the issues associated with licensing from the get go and decided to mitigate this risk by taking on opportunities that are at least pre-approved, if not already licensed and ready to go.



**Carlos GOIS**  
CEO  
GEO Investimentos



Refurbishment projects can be completed much faster because we can avoid the main problem in Portugal: the extremely lengthy licensing process. The timeframe between planning and actually building a new unit can be three to four years long. Whereas buying old buildings and turning them into big open-space offices with lots of exterior areas can be done in about one year.



**Stuart ROUGH**  
Group Chairman  
Broadway Malyan



The ever-present licensing issue that burdens all developments and varies from city to city is definitely a source of frustration in Portugal. Working around historical master plans that can often be very out of date can also provide significant challenges. However, while we do hear from new investors who are frustrated at how protracted the planning system can be in Portugal, having experience working across Europe, the Middle East and Asia, I can attest that I have worked with – and overcome – far worse.



**Filipe CALDEIRA**  
Head of Business  
Artelia Portugal



The situation in Portugal is actually not that bad when compared to other European countries. There are some mitigation measures that can be taken, and I have trust that the public administration will do everything to overcome these challenges. Moreover, we must understand that all these licensing times are necessary to fully complete the process and although we perceive them as an annoyance, when performed properly they are important for the health of the market.



At the moment, Lisbon is off limits, we are not buying any more property there until the projects that are under development are approved. Roughly, one year of waiting is worth EUR 500 more per square meter.



**Pedro LEITE FRAGOSO**  
CEO  
ADDSOLID



**Carlos Miranda DOMINGOS**  
Partner  
BlackOAK



There was great excitement in the market and prices rose consistently during pre-covid times, whereas nowadays buyers became more cautious. The result is a circumstance in which sellers still think they are in 2019, while buyers are increasingly wary of the price per square meter. We find ourselves in an interesting position, having to balance these mismatched expectations.



There is a great deal of inconsistency from one municipality to another, which of course makes the whole interaction even more frustrating. A simplification to the entire process and a unified approach would make the Portuguese real estate market much easier to navigate. It hasn't always been like this. In Lisbon, seven years ago things were going smoothly and in about six months you had your project licensed. Nowadays, this entire process takes around two years.



**Joao BRANDAO**  
Executive Board Member  
Sonagi