

# REAL ESTATE **IN PORTUGAL**

SECTOR INSIGHTS



**the business** | year

# THE BUSINESS YEAR: SECTOR INSIGHTS: REAL ESTATE IN PORTUGAL

The snowbird movement is a global phenomenon whereby wealthy and hyper-mobile populations shift their residence to geographies with warmer climates during winter. This movement, which encompasses permanent movers, has resulted in a demand rush for Portuguese real estate. It has driven up prices and spurred a vast ecosystem of real estate-related companies. The fundamentals of Portugal as a place to live are simply too strong. And with the internationalization of the market, foreign capital is pouring in.

A decade ago, Portugal put in place attractive fiscal advantages like the Golden Visa and non-habitual residency agreements to attract foreign expenditure. This enhanced an investment proposal that was already tricky to match within Europe. A warm climate-European capital with an oceanfront offers an unbeatable lifestyle package. The jurisdictional incentives also drove the Portugal brand as a market and, in passing, as a tourist destination.

This internationalization has crowded out local buyers from downtown, as has happened in other European capitals before Lisbon. Prices soared, especially given a substantial inflow of American buyers. In 2023, the US became the number-one country investing in the Iberian country. Portugal's cost of living and Californianesque attributes are luring American nationals witnessing their cities being hit by inflation, high fiscal pressures, and security concerns such as homelessness.

The realtors that The Business Year spoke to for this Sector Insights report are cognizant of the unique market opportunity that Americans represent. And as a result, the real estate business in Portugal has acquired an American flavor. It has raised the exigency on agents and brought with it unique traits such as home inspections and a concierge service—the comfort-oriented approach to business that characterizes doing business in the US.

For the Portuguese, this has created opportunities for business, such as the prospect of seizable commissions or life-changing purchase offers. Although the front covers of Portuguese journals debate the existence of a bubble, the experts we spoke to outlined that prices are still below other similar European markets. Many livelihoods have benefited from the Portuguese real estate boom, with service providers and adjacent companies blooming along with it.

The real estate business is providing opportunities. In 2023, government rhetoric began to stir with programs like António Costa's Mais Habitação raising eyebrows. Decisions like canceling the Golden Visa program do not send bullish signals to the market. Nevertheless, with the unmatched fundamentals of Portuguese real estate, what investors want and need is stability. As long as they receive this wink essential to long-term investment, Portugal will continue to be fertile ground for real estate. ✖

*This publication has been produced by The Business Year International's expert cadre of journalists, writers, editors, and designers. The content contained within is original and was compiled by our team on the ground.*

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ISBN 978-1-80506-011-6  
www.thebusinessyear.com

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## REAL ESTATE SECTOR SNAPSHOT



**\$11.54%**

Portugal real estate activity revenue (2022)

Source: Statista



**€1,025**

Alentejo (cheapest region) residential real estate cost per square meter



**+43%**

2022 YoY change in real estate investment

Source: portugalbusinessesnews.com



**140,000sqm**

Amount of occupied Great Lisbon office space (November 2022)

Source: Cusman & Wakefield



**€3.6bn**

Value of foreign real estate purchases in 2023

Source: Immigrant Invest



**11.5mn**

Idealista.pt, top property portal in Portugal, site traffic for July 2022

Source: onlinemarketplaces.com



**1/3>**

Ratio of Lisbon properties bought by foreigners

Source: Engel & Völkers



**31%**

January-October 2022 YoY increase in overnight hotel stays

Source: Cusman & Wakefield



**€1,500**

National average residential real estate cost per square meter

Source: Immigrant Invest



**410,000sqm**

January-September 2022 industrial and logistics occupied real estate space

Source: Cusman & Wakefield



**€2,082**

Lisbon residential real estate cost per square meter



**380**

No. of new retail units opened January-September 2022

Source: Cusman & Wakefield



Image: Esorifi Vintage



## JEWEL OF THE CROWN

Hugo Santos Ferreira  
PRESIDENT,  
PORTUGUESE ASSOCIATION OF REAL  
ESTATE DEVELOPERS AND INVESTORS  
(APPII)

APPII works to promote investment, act as an ambassador for real estate investment in Portugal, facilitate entry for foreign investors, and advocate for green financing and affordable housing.

### What is the mission and focus of the association?

APPII represents all real estate developers and investors in the country. We are mainly focused on institutional investors across all asset classes, from residential to commercial real estate. The latter includes offices for logistics, retail, shopping centers, retail parks, and high street retail as well as alternative sectors such as senior housing, senior living, co-working, and co-living. APPII works to advocate for the industry before public authorities, entities, and government officials, including the ministry, parliament, and municipalities and to facilitate business development among its members. Additionally, the association serves as the primary gateway for foreign investors looking to invest in the country, with 50% of our members being international.

### How do you evaluate the current market conditions of the Portuguese real estate market?

Residential investment remains the jewel of the crown in Portugal, with a total investment of EUR30.7 billion in residential real estate in 2022. It represents 40% of the Portuguese GDP. In contrast, that same year EUR3.3 billion was invested in commercial real estate. Despite challenges such as the pandemic, the real estate sector has proven to be one of the most resilient sectors of the economy and played a significant role in the country's economic recovery after the 2012 financial crisis. Along with tourism, real estate has been one of the main engines of growth for the Portuguese economy, leading to a positive spillover effects for other sectors as well.

### What makes Portuguese real estate innovative?

Portuguese real estate entrepreneurs are exploring new and alternative concepts such as co-living and co-working, although the pandemic put a halt on these new developments temporarily. Nonetheless, we have been making strides in other areas such as senior living and student housing. The latest trend in innovation is green construction, which involves modular systems and industrialization. This is the commitment of the real estate markets to the new rules of sustainability, which will be the future trend. We

are also focused on reducing costs, particularly in affordable housing projects, though industrialization and modular building. We must lower costs to align with sustainability guidelines. Additionally, we are improving the levels of energy efficiency in buildings. Right now, there are discrepancies between EU directives and the Portuguese legal framework, for example, in terms of self-generated PV energy, which leave investors at a crossroads.

### What are the other needs of real estate investors in Portugal?

One important issue for investors is green financing. Unfortunately, there is a huge problem with access to new affordable housing. The Portuguese middle class would not be able to afford green housing because it will be much more expensive, and the government must play a role in providing green loans for housing. The Portuguese PRR and European Green Deal are focused on fighting climate change, promoting sustainability, improving the energy efficiency of buildings, creating new affordable housing, and fostering economic growth in member states with new concepts of sustainability. Creating financing options to lower costs and allow Portuguese developers and real estate investors to produce affordable housing is the way forward. By 2030, the goal is to have all new buildings in Portugal be green.

### How does APPII promote investment and help private enterprises?

We are the main gateway for investors interested in the country, and our role is to promote investment and support private enterprises. With foreign members representing 50% of our membership list, we act as a Portuguese ambassador for real estate investment in Portugal. Our primary task is to showcase Portugal's positive attributes and convince them to invest in the country. We are still on the radar of real estate investors worldwide. Once they come here, we facilitate their entry by forming connections with local players such as real estate developers, Portuguese banks, construction companies, and asset managers. Through these connections, investors can receive the support they need to invest in the country. ✖



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