

RESIDENTIAL RESEARCH



PORTUGAL INSIGHT 2016

ASSESSING MARKET CONDITIONS ACROSS
PORTUGAL'S PRIME SECOND-HOME DESTINATIONS



PRICE RECOVERY

BUYER NATIONALITIES

GOLF INVESTMENTS

Brighter horizons

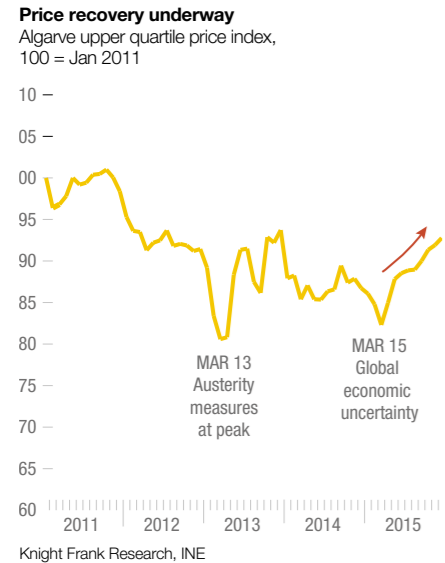
After several testing years the Algarve is back on the radar of second home buyers. Realistic pricing, the availability of cheap finance, strong investment in infrastructure and tax initiatives have led to renewed confidence.

By Kate Everett-Allen



The Portuguese property market's troubled past is well documented. Not even the Algarve's ancient cork forests and pristine golf courses managed to entice buyers post 2008, prompting prices in some resorts to fall by as much as 50% in peak-to-trough terms.

Residential construction plummeted across Portugal. According to the Bank of Portugal completions fell from 67,000



in 2007 to 7,000 units in 2015. However, with the supply tap turned off excess stock has been absorbed back into the market narrowing the gap between demand and supply.

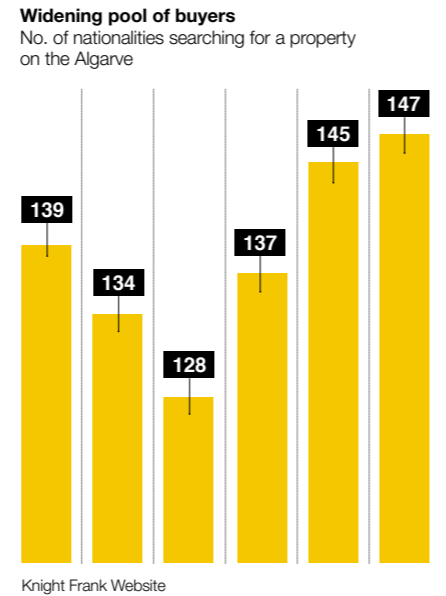
Sale volumes and prices have responded in two phases. In 2013 we saw vendors start to adjust their prices, keen to progress sales leading to an upturn in transactions, and by 2015 the Algarve recorded its first annual increase in prime prices since 2008.

What set the Algarve apart during the downturn was the continual investment in infrastructure. The upgrade of the coastal A22 motorway (stretching to Lagos and opening up the western Algarve), the improvement to the E1 (to Lisbon and Porto) and the €32m expansion of Faro Airport have helped boost economic confidence. Further development is planned at Vilamoura and Quinta do Lago.

Faro Airport is now served by over 47 airlines with a notable increase in flights from secondary cities in northern Europe. Total passenger numbers arriving at Faro Airport increased by 35% in the decade prior to 2015 and journey times from the

airport to the western resorts of Lagos and Luz have been cut to c.55 minutes.

Who's buying?
UK, Irish and German buyers are still evident along the Algarve but French, Scandinavian and non-Europeans, including South Africans and Chinese, are



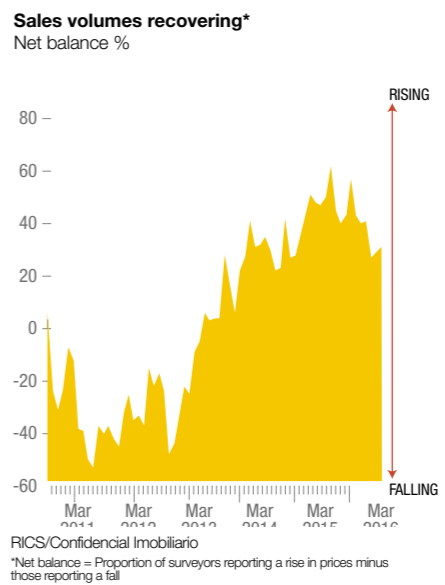
increasing in number. The surge in French interest has been notable in the last 2-3 years with many citing Portugal's Non-Habitual Tax Residency regime (NHR) as a key incentive.

Introduced in 2009, the NHR exempts non-residents spending 183 days a year in Portugal (or those with a primary residence in the country) from income tax on non-Portuguese incomes, including pensions, salaries and capital gains for a period of 10 years*.

Another initiative, Portugal's Golden Visa – by far the most successful of the European schemes in existence – has seen inward investment focus on the Lisbon area rather than on the Algarve. To date Chinese buyers account for 79% of the 2,853 visas granted since 2012.

Today there is greater focus on the Algarve's investment potential compared with pre-2008. The Algarve's 37 championship golf courses are responsible for over 50,000 rounds of golf a year and their season extends beyond that of the traditional summer rental period, running from February to May and again from September to November.

New development is evident once more particularly at the eastern end of the Algarve, but prime projects need to be anchored by a 5-star hotel brand or a championship golf course to pull buyers away from the more established locations such as the Golden Triangle area which stretches from Quinta do Lago to Vilamoura and Vale do Lobo.



Vale do Lobo
€6,000-€8,000 18 km
The Algarve's first development, Vale do Lobo extends across 1,100 hectares, the resort comprises two golf courses and 1,550 properties with planning permission for 500 more, plus a luxury hotel.

“A surge in French interest has been notable in the last 2-3 years”



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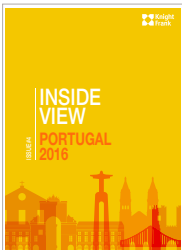
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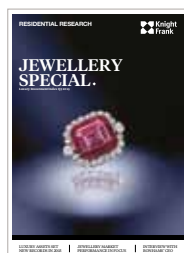
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