

PORTUGAL INSIGHT 2016

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







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

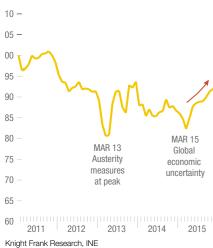
The Portuguese property market's troubled past is well documented. Not even the Algarve's ancient cork forests and pristine golf courses managed to entice buyers post 2008, prompting prices in some resorts to fall by as much as 50% in peak-to-trough terms.

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

Price recovery underway

2

Algarye upper quartile price index. 100 = Jan 2011



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.

Praia da Luz

'Beach of Light', a well established sea

front second home location. The town is

quiet, low rise and maintains its tradi-

tional character. Properties range from

apartments & townhouses in the centre

and larger private villas with swimming

pools and sea views on the outskirts.

€2,500-€5,000

93 km

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.

Prime price Drive time/distance Marina

from airport

Who's buying?

Lagos

in the area.

Praia da Luz

Burgau •

€2,500-€5,000

Historic walled town with a modern

Algarve's longest beach (4 km) popular

for water sports. Properties range from

modern apartments, townhouses and

villas amongst some new 5 star hotels

462 berth marina and boasts the

91 km

A22

Championship

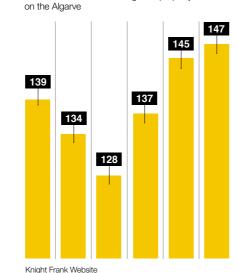
aolf course

Carvoeiro

Portimao >

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

No. of nationalities searching for a property



non-residents spending 183 days a year in Portugal (or those with a primary residence in the country) from income tax Widening pool of buyers on non-Portuguese incomes, including pensions, salaries and capital gains for a

> 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.

E1

Vilamoura

É

A22

Vilamoura

€4,000-€6,000

25 km

Loulé

Home to five championship golf courses,

an equestrian centre and 875-berth

investment of €1bn as it enters a new

phase of development adding 5,000

marina. Vilamoura is set to see

new residential properties.

Vale do Lobo

Quinto do Lago

Carvoeiro

€3,000-€4,500

58 km

E1

increasing in number. The surge in French

Habitual Tax Residency regime (NHR) as a

interest has been notable in the last 2-3

years with many citing Portugal's Non-

Introduced in 2009, the NHR exempts

Another initiative, Portugal's Golden

Visa – by far the most successful of the

European schemes in existence – has

seen inward investment focus on the

key incentive.

period of 10 years*.

The original village is nestled between two

low hills behind the beach. Popular with

UK and Irish buyers the resort was the

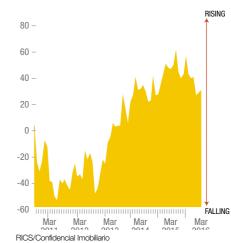
focus of development pre-2008, Large

Albufeira •

villas in citrus orchards predominate.

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.

Sales volumes recovering Net balance %



*Net balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall

Tavira/Eastern Algarve





The Eastern Algarve is comprised of smaller resorts, popular with Portuguese second home owners. New developments such as Monte. Rei, are reshaping this market with the added services allowing for those prices to compare with Vale do Lobo.

Quinta do Lago





Founded in 1972, the world-renowned estate has four golf courses, boasts 2 km of beaches and an enviable number of sporting and recreational facilities.

Tavira

Golden Triangle

FARO

Vale do Lobo

€6.000-€8.000



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.

18 km

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



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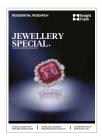
International View 2016

The Research data provided in this report was originally published within Portugal: Inside View

RESEARCH PUBLICATIONS



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