ALEX KOCH DE GOOREYND AND OLIVER BANKS, KNIGHT FRANK’S PORTUGAL TEAM SHARE THEIR KNOWLEDGE AND INSIGHT ON THE CITY’S EVOLVING RESIDENTIAL MARKET.

WHY IS LISBON CURRENTLY IN THE SPOTLIGHT?

In 2019, Lisbon was ranked the best city in Europe for investment and development prospects by PwC, up from 11th place in 2018. Solid economic fundamentals, affordable prices, a low cost of living and improving transport connections mean it is now an international destination for investors, developers and tourists alike. The city has also seen the arrival of a number of international developers in recent years which has boosted market sentiment.

WHAT GOVERNMENT INCENTIVES ARE APPEALING TO OVERSEAS BUYERS?

Introduced in 2009, the government’s Non Habitual Residency (NHR) initiative allows anyone who has not been resident in Portugal for the past five years to receive pension income, rental income, capital gains on real estate and non-Portuguese income tax-free. The NHR is valid for 10 years.

Although Golden Visas are common in a number of southern European economies, Portugal’s scheme, which started in 2012, has been one of the most popular. Since this time, over 7,291 residence permits have been granted to non-EU residents. There are different ways of obtaining residency, 6,879 opted to purchase real estate (via an investment of €500,000 or more), 397 transferred capital and 15 created a minimum of 10 jobs. The latest data shows Chinese, Brazilian and Turkish buyers have been the most active applicants (figure 3).

It’s also worth noting there is currently no inheritance tax, gift tax or wealth tax in Portugal.

WHICH AREAS ARE PRIME LOCATIONS?

Built on seven hills, Lisbon offers a mix of neighbourhoods, each with a distinct feel. The Avenida da Liberdade is the central spine of the old town running down to Baixa, the historic quarter, providing easy access to theatres, restaurants and the waterfront. The upmarket district of Chiado, the city’s cultural heart has largely been rebuilt following a fire in 1988 and with prices now close to €10,000 per sq m the area generates some of the highest premiums in the city.

To the west sits Belém, a quieter district with a village-like feel, overlooked by the Ajuda National Palace. Once home to dockyards and warehouses the area now offers green space, parks and plazas. The coastal town of Cascais, located 30 km to the west of Lisbon, is a second home retreat comprised of detached villas, world-class golf courses as well as good international schools.

WHERE IS DEMAND COMING FROM?

International demand is strengthening with Brazilian, Turkish, French, English and Chinese buyers on the rise. Portuguese buyers are also active as domestic wealth is increasing. At 6.4%, unemployment is at a 17-year low and the Portuguese economy has exceeded the Eurozone’s average GDP for the last four years.

Tourism too is on the up with the number of international visitors to Lisbon reaching 4.5 million in 2018 providing a source of rental demand for those seeking an investment property. There is a noticeable lack of rental stock which is driving the investment sector with gross residential yields of around 6% achievable in the city centre and 8% in the city’s outskirts.

WHAT INVESTMENT IS PLANNED?

With three tech parks, 90 higher education institutions, two universities and a vibrant start-up scene, Lisbon is emerging as one of Europe’s creative hubs. To meet this demand, the city’s transport infrastructure is being upgraded. Due to open in 2022, the new Almada Airport will service 50 million passengers per annum, up from 28 million at present.

A €210 million Metro project is underway which will result in two new underground stops and the regeneration of Cais do Sodré, the city’s main transport hub for trains, the metro and ferries.
MARKET INTELLIGENCE
Knight Frank’s Research team takes the pulse of Lisbon’s residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

**FIGURE 2**
**PRICE EVOLUTION: AVERAGE VS. PRIME**
€ per sq m

<table>
<thead>
<tr>
<th>Year</th>
<th>Average prices (€ per sq m)</th>
<th>Prime prices* (€ per sq m)</th>
<th>Annual % change, 2018</th>
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<tr>
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</tr>
<tr>
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<tr>
<td>2018</td>
<td>10,000</td>
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</table>

Source: Knight Frank Research, INE

**FIGURE 3**
**THE APPEAL OF PORTUGAL’S GOLDEN VISA**
No. of residence permits granted, 2012-March 2019
7,921

**FIGURE 7**
**THREE THINGS TO CONSIDER**
1. Portugal’s Non Habitual Residency tax regime (NHR) allows anyone who has not been resident in Portugal for the past 5 years to receive pension income, rental income, capital gains on real estate and non-Portuguese income tax-free.
2. The new Montijo Airport in Lisbon is under construction, due to open in 2022 it is expected to service 50 million passengers per annum.
3. A €210 million Metro project is underway which will result in two new underground stops and the regeneration of Cais do Sodré, the city’s main transport hub.

Get in touch
If you’re thinking of buying or selling, or would just like some property advice, please do get in touch.

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If you would like further insight into prime residential markets please feel free to get in touch.