

LUXURY RESIDENTIAL MARKET INSIGHT

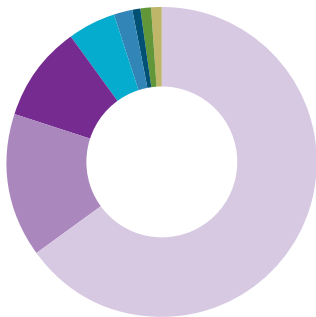
ALGARVE 2011

Knight Frank



“Many overseas investors and potential second home owners have started to re-activate their searches feeling that, in some cases, the market is showing signs of stability.”

Where do purchasers of prime property on the Algarve come from?



UK	65%
Rest of Europe	15%
Portugal	10%
Rest of the World	5%
Asia Pacific	2%
Russia & CIS	1%
Spain	1%
US	1%

Source: Knight Frank Residential Research

Market overview

The Algarve, the southernmost region of mainland Portugal, has long been high on the wish list of international buyers seeking a second home with the advantage of a warm climate year round, championship golf courses, golden beaches and rustic charm.

From the luxurious resorts of Quinta do Lago and Vale do Lobo to the traditional beach towns of Lagos and Praia da Luz, the Algarve offers a wide array of amenities. Whether it be spas or surfing, tennis or equestrian sports, there is enough to keep everyone content – all within a two and a half hour flight of the UK. Motivated by successive holidays and the lifestyle, Algarve second-home owners appreciate that the area offers better value than many other European destinations.

Strong demand and comparatively low prices meant the best homes saw prices rise by 40% between 2000 and 2007 and while the Algarve felt the impact of the global downturn early on, the market has now had time to adjust as motivated vendors focus on more realistic asking prices.

In the more established resorts of the Central Algarve, such as Quinta do Lago, Vale de Lobo and Quinta do Mar, the value of property has been less affected. In the western Algarve, around Lagos and Praia da Luz, while prices were more heavily reduced in 2009/10, they are now falling at a slower rate as the market shows signs of stability. As a result, many overseas investors and potential second-home owners have started to re-activate their searches feeling that, in some cases, the market is showing signs of stability.

Properties in unique positions, such as those with beach access and located on the frontline of golf courses, remain the most sought after as many purchasers consider that they will sustain their value over time.

Analysis of Knight Frank's Global Search website shows interest in the Algarve has risen 11% in the past year. Site visits from prospective Irish buyers may be down by 30%, but UK site visits have increased by 16% and Italian, Dutch, Swedish and Russian nationals are more active now than they were in July 2010.

Although most buyers have been waiting for the market to stabilise over the last three years, for those looking for more long-term investments and lifestyle homes, sales are being agreed. On the other hand, some vendors have found it difficult to read the market, but some now wish to move on, by reducing their sales prices, ready to negotiate.

Key Facts

Flight time from London: 02.35 hrs

Average days of sunshine per year: 300

Activities: Golf, sailing, windsurfing, tennis

Michelin-starred restaurants: 6



Christian de Meillac
International Residential
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Expert insight

With the EU/IMF's financial assistance and Portugal's debt restructuring, we expect consumer confidence to stabilise in the coming year. It is anticipated that luxury property prices will hold firm in the next 12 months with the potential for small corrections in more oversupplied areas.

The challenges in the Algarve property market are a reflection of the wider global financial crisis, the result of large-scale new development pre-2008

and a correction in prices following the rapid inflationary period between 2000 and 2007.

Conscious that Spain, Italy and Greece are beset by the same economic challenges and fully aware that stock market volatility persists, some investors are starting to view bricks and mortar as a safe haven, capable of providing a lifestyle gain as well as a long term investment.

For buyers wishing to take advantage of current market conditions there are a number of good opportunities still on the market ([for full details please click here](#)).

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PRIME PROPERTIES

LAGOS



Asking price of €1,395,000

GRAMACHO GOLF RESORT



Asking price of €525,000

QUINTA DO LAGO



Asking price of €3,300,000

GOLDRA 6



Asking price of €1,550,000

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