



infosiiimgroup

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Monthly report | Real Estate Market | March 2021



Lisboa | Linha de Cascais | Ribatejo | Master Minas Gerais, Brasil



The Unthinkable happened!

The final housing sales figure measured by the National Statistics Institute (INE) exceeded market forecasts!

On 23 March the INE published the total and regional home sales figures. In 2020, 171 800 dwellings were traded, 5.3% down on 2019.

Total traded in 2020 was 26.2 billion Euros, 2.4% more than in 2019. On a quarterly basis, after the first quarter that was still only slightly affected by the COVID-19 pandemic, where there was a **year-on-year increase of 10.4% in the value of dwellings traded**, followed by the months of **April, May and June, characterised by the sharp contraction in the value of transactions (-15.2% in the 2nd quarter)**. In the second half of the year, **positive rates of change were recorded of 4.4% and 8.7% in the 3rd and 4th quarters respectively**. It should also be noted that the last quarter surprisingly ended up **beating the previous high of the 4th quarter of 2019 both in number and value**.

In 2020

26,2

Billion Euros was traded

+2,4%

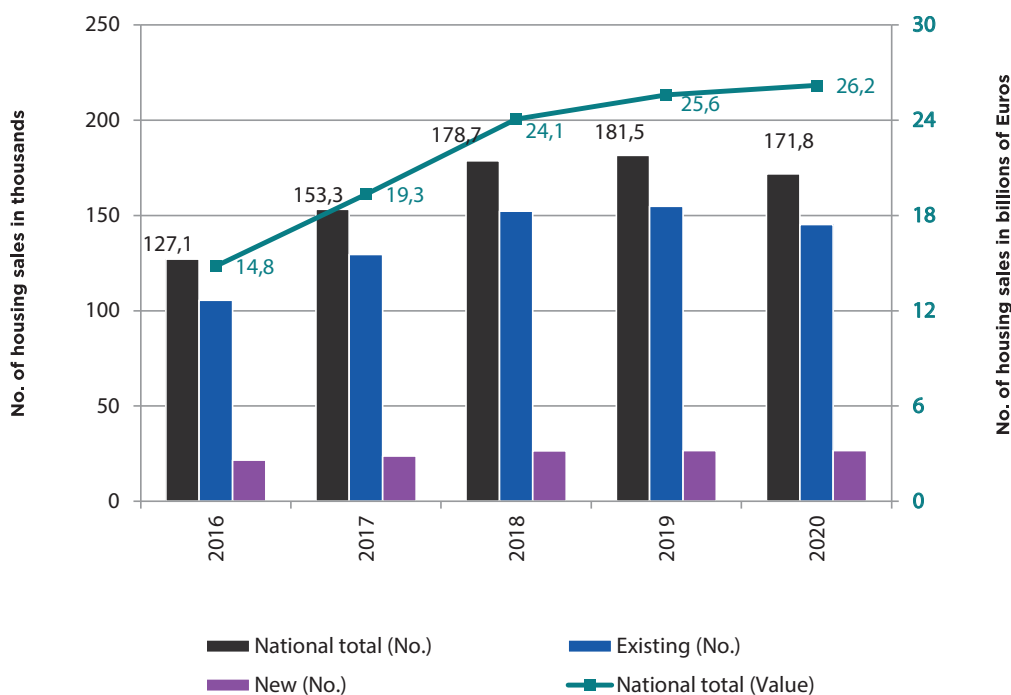
over 2019

Period	PORTUGAL		Lisbon Metropolitan Area	
	(Value 10 ³ euros)	No.	(Value 10 ³ euros)	No.
1Q2018	5 423 303	40 716	2 616 261	14 548
2Q2018	6 186 741	45 619	2 978 350	16 331
3Q2018	6 275 433	45 935	3 115 083	16 188
4Q2018	6 176 220	46 421	2 847 492	15 422
1Q2019	6 120 645	43 826	2 908 390	15 506
2Q2019	6 066 934	42 590	2 809 530	14 804
3Q2019	6 465 515	45 830	3 015 927	15 489
4Q2019	6 930 646	49 232	3 192 832	16 731
1Q2020	6 755 222	43 532	3 230 951	15 433
2Q2020	5 144 974	33 398	2 400 515	11 713
3Q2020	6 752 214	45 136	2 931 634	14 141
4Q2020	7 534 124	49 734	3 334 064	16 184

* all-time highs in red



Indicator of the number and sales values of housing, national total, existing and new, 2016-2020



Source: INE, Housing price index

In the Lisbon Metropolitan Area and on an annual accumulated basis, it was the 3rd year in which the number of transactions rose and in which the total amount traded remained stable. This behaviour reflects the **decline of dynamism of the Historic Centre of Lisbon** (according to information of Confidencial Imobiliário, sales to foreigners fell to around half of what they were in 2019 in the Urban Rehabilitation Area), and the **increasing development of large-scale projects in more peripheral areas of the city.**

Restricting the analysis to the city of Lisbon and resorting once again to Confidencial Imobiliário's database, **property investment in Lisbon amounted to 3,744 million Euros in 2020, corresponding to 8,706 buildings traded. On average**, and also according to Confidencial Imobiliário's database, 431,400 Euros were invested per operation. "The pressure made itself felt not only in relation to 2019, but also to previous years.

In 2020

3,7

Billion Euros

of property investment in Lisbon

8.706

buildings traded



Looking at the last five years (since 2016), the amount of investment now recorded only exceeds that of 2016, when €3,323 million was recorded. In terms of the number of buildings, Confidential Imobiliário's analysis concludes that 2020 is actually the least dynamic year of the period under review.

Services buildings in a pandemic year

Cushman & Wakefield published the second edition of the report entitled Covid-19 Portugal Market Update: **In spite of all the setbacks, commercial property investment achieved its third best ever volume in 2020**, totalling 2,800 million Euros, despite being **influenced by three major deals**: the acquisition of 50% of the Sierra Prime joint-venture by Allianz Real Estate and Elo from Sonae Sierra and APG for 800 million Euros, the sale by Kildare Partners of Lagoas Park to Henderson Park Capital Partners for 421 million and, lastly, the acquisition of the PREOF portfolio by Finsolutia from Cerberus for an estimated value of 150-170 million..

Commercial Property Investment

2,8
Billion Euros

3rd best volume ever in 2020

The lack of quality supply remains, but may be overcome by the **entry of 172,000 m² in Lisbon, occupation of 42% of which is already guaranteed**. We should note the new centres being launched in **Alvalade XXI, Alcântara and Parque das Nações**. A symptom of the confidence that is rife in this market is the fact that there is 'speculative' construction again (not pre-let).

Projection of new services buildings to enter the market in the coming years:

Ano de conclusão	M2			
2021	90.000	EXEO LUMINA	SEDE AGEAS	
2022	100.000	WTC	ECO AURA	
2023	105.000	K TOWER	ENTRECAMPOS FPOPULAR	METROPOLIS
			TORRE 3 COLOMBO	ALCÂNTARA



A misreading of the rental market?

There have been several analyses of the effects of the tourism and short term rentals crisis on the rental market. Most of the dwellings removed from this supply circuit are located in the historic centre, particularly in Santa Maria Maior (-770) and Misericórdia (-1,250).

We have already mentioned in previous editions (Infosiimgroup February): Confidencial Imobiliário's estimate is for a drop of 16% in average price in the rental market of the Capital.

We have a different reading, one that was confirmed by the data recently published by the INE (29 March). Although the fall in values per square metre is confirmed in the main centres of the country and where rents are on average higher (Lisbon, Oeiras, Cascais), a more refined analysis of the variations by parish in Lisbon reveals that the parishes with the greatest fall are not those most linked to tourism, but rather those with a predominantly middle/high class offer with properties with more spacious areas (Estrela/ Campo de Ourique) or which have both residential housing and services (Avenidas Novas). On the other hand, parishes in the historic centre (S. Vincente or S. Maria Maior) or with a typical offer of accommodation for short breaks (Arroios) had falls close to the average and Penha de França was even the parish with the most positive performance.

This confirms that the short term rental units that have been withdrawn from the rental market can hardly compete with traditional renting due to the characteristics of the properties themselves that have already been highlighted several times, but also due to the investor profile of their owners.

<fall

parishes linked to tourism

>fall

middle/high class parishes

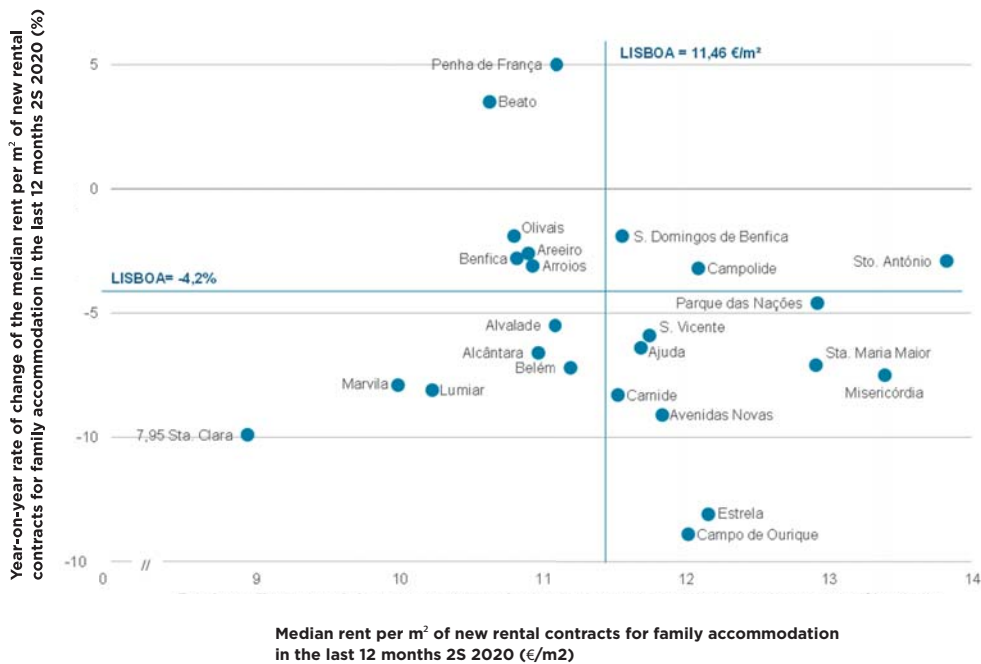
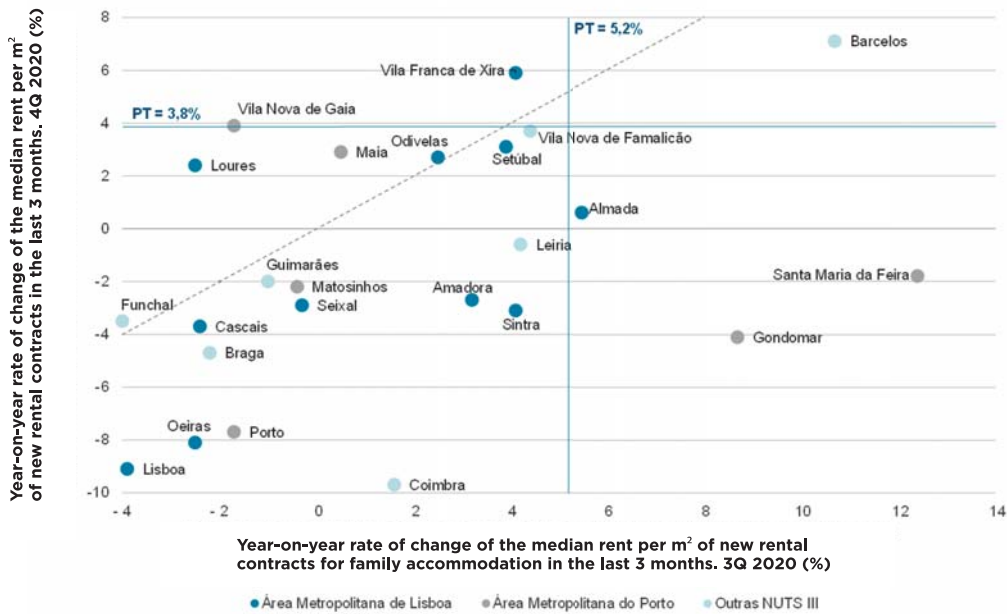
Local accommodation

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Rental market



Less demand from non-residents, namely college students, will have had some influence on the fall of prices, with more supply coming into the market, which led to an increase in the no. of rental contracts (curiously enough, exactly the same increase for Portugal and the LMA +9.7%).





New trends

15-MINUTE CITY

With the urban concentration and growth of population density in the Lisbon Metropolitan Area, we have seen new centralities: for those who live and work there everything is at hand within a fifteen-minute radius. Basically, it is a **more circular economy in which, by foot or by bicycle, we can quickly access everything - commerce and services** - in the vicinity of our home.

THE PROFILE OF FOREIGN BUYERS IN THE ALGARVE HAS CHANGED

According to Engel & Völkers, foreign investors investing in the Algarve have closed several deals with the intermediary in half the time compared to the pre-pandemic period, completing the operation using only virtual visits. **Most real estate investors come from Germany, Switzerland, Belgium and Scandinavia. They are looking for properties in the countryside or in small cities, with houses surrounded by nature that provide space, safety and privacy.** These investors are also changing their priorities and objectives, focussing less on profitability through tourism rental, and being more mindful of housing that guarantees privacy, safety and quality of life.

First major work of the Recovery and Resilience Plan (PRR) in Porto with an estimated cost of 50 million Euros.



The new crossing will be built between the Arrábida and Luís I bridges, and will serve a new metro line in Gaia, between Casa da Música and Santo Ovídeo.



Taxation

A decision of the Court of Justice of the European Union (CJEU) is expected to force the Portuguese Tax Authority (AT) to **revise the taxation of real estate capital gains of non-residents**, which was being contested in the courts. Until now, the Portuguese Tax Authorities (AT) considered that the 50% factor provided by law would not apply to them, applying the withholding rate to the whole of the capital gain. At the moment, non-residents pay a rate of 28% rather than progressive rates, like residents. If this understanding is upheld, this represents a new attraction for investment in real estate in Portugal.

Regime of non-habitual residents (RRNH)

The Swedish finance minister announced that **Stockholm wants to revoke the agreement on the personal income tax (IRS) of Swedish pensioners in Portugal**, and also wants to revoke a similar agreement signed with Greece. The Swedish government has tabled two ordinances in parliament to bring these fiscal agreements to an end by the end of this year.

In 2020, the fiscal regime for Non-habitual Residents recorded a total of 9,166 registrations with the AT, 22% less than in 2019, which had been the best year ever, with 11,793 registrations

The decision on the new Lisbon Airport

In the next INFOSIIMGROUP we will analyse the economic and environmental aspects and effects on the Real Estate Market that may arise from this decision.

