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Monthly Report | Real Estate Market | November & December 2021



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



## Context



In international terms we are living in very uncertain times (new variant of SARS/Covid19; the highest inflation in decades across the globe; prospects of an inversion of the cycle of interest rates, with several warnings from the FED (Federal Reserve, equivalent to the European Central Bank in the USA); in view of the increase in inflation a reduction in bond purchases and an increase in key interest rates are expected as early as 2022.

We are entering a state of alert with the first confirmed situation of default of a large property developer in China. After the company had already failed three times to pay interest on its debt, but managed to do so within the following 30 days, the default on an issue in dollars led one of the rating companies to place it in a situation of restricted default placing additional pressure on the obligation to restructure the total debt estimated at around 300 billion (mainly held by domestic investors).



This event puts the situation of other large-scale developers on alert in an economy in which real estate represents an important share. For the moment the Chinese authorities have declared that the problem should be resolved by market mechanisms, but the market is waiting for some support from them....



Notwithstanding, every time one of these factors has implied a fall in the markets, and as soon as the shock is incorporated into expectations, there is another rise in prices (stock market, oil, etc.).

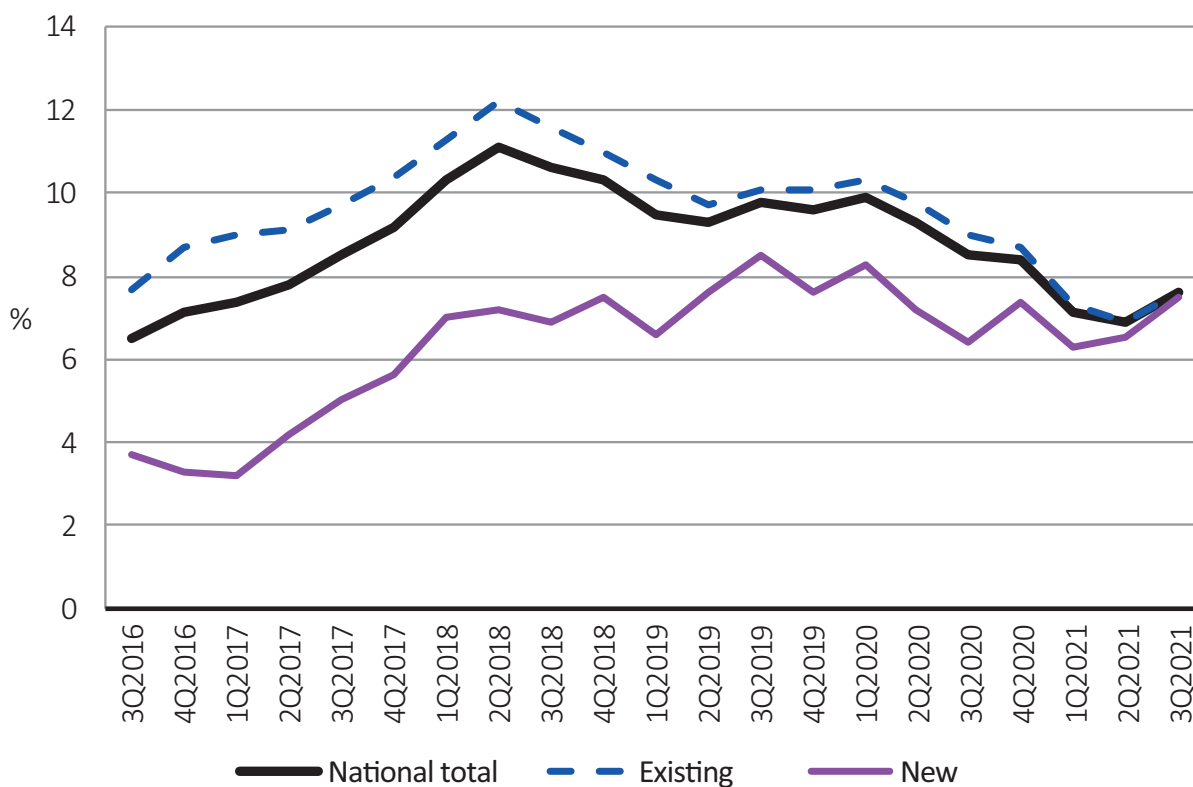
Given its characteristics of lower price transparency and illiquidity, real estate does not show these very short-term fluctuations and continues to be driven by changing demand preferences and by the abundance of liquidity in the market, which operates on the demand side by the ease/cost of credit and, on the supply side, with the availability of capital for new real estate developments.



## Transactions and Change in Property Prices in 2021

The National Statistics Institute (INE) report published on 23 December relating to the number of transactions and change in prices up to the 3rd quarter, confirmed new highs in all indicators with the price index returning to values close to 10% and rise in the order of 15% and 25% in number and value respectively, compared with the same quarter of the previous year.

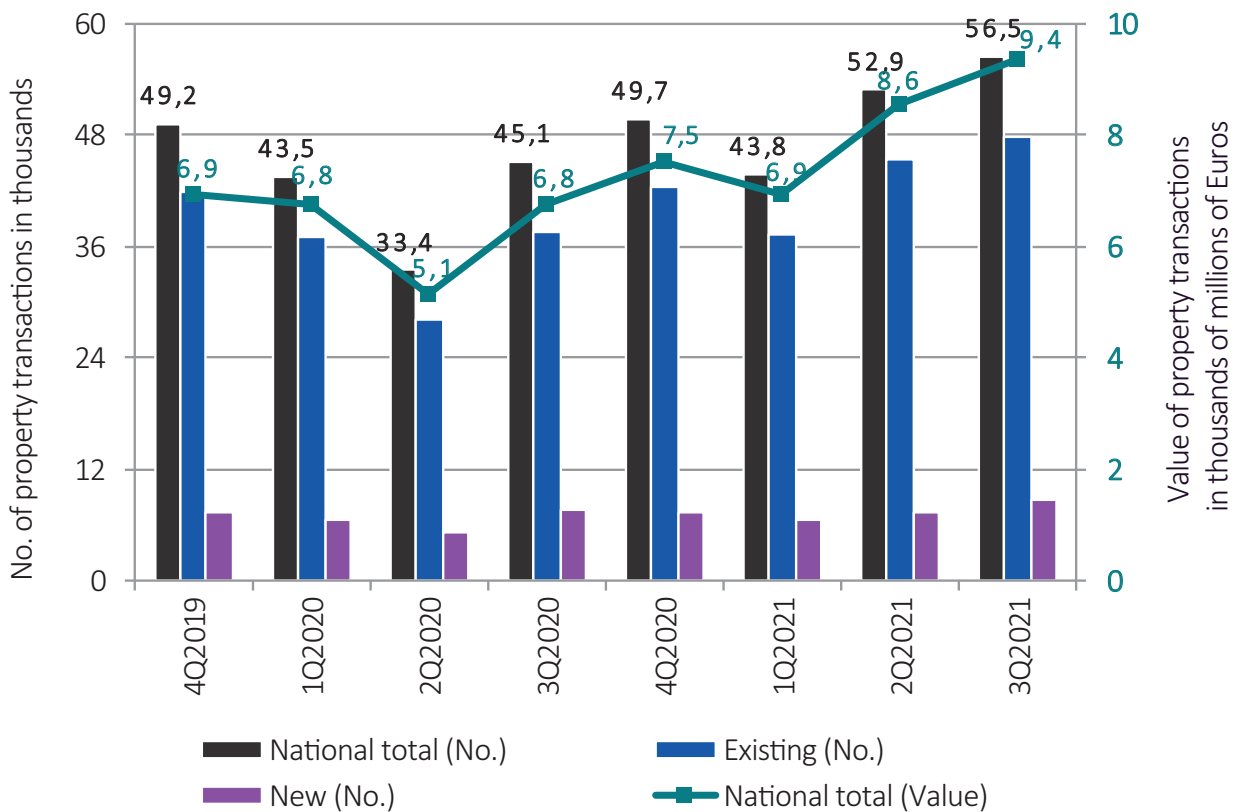
### Housing price index, Average rate of change, 3Q2016-3Q2021



Source: INE, Housing price index



**Number and value of housing transactions, national total, existing and new, 4Q2019-3Q2021**



Source: INE, Housing price index

For the last quarter of the year, the SIR (Residential Information Database) points towards a break in the pace of new buildings in the city of Lisbon and the continuous upward pressure on prices in the used property segment. The Oeiras / Miraflores area is where the highest percentage increase in supply is expected in the near future. The market continues to be very buoyant, with new supply finding a response in the domestic market, given the price differential in the area ((which has narrowed in the last year) in relation to the centre of Lisbon.

The context of rising raw material prices, the shortage of manual labour and sales dynamics means that off-plan sales prices can be rapidly revised upwards as soon as a significant percentage of available supply is secured.



## Tax authorities back down on the taxation of capital gains

After several court rulings, the Tax Authority decided that, until the law is changed, the real estate capital gains of emigrants or other non-residents should be taxed only on 50% of the value. The withholding rate remains at 28%.

## Mistrust of landlords grows over rentals

The “Owners’ Confidence” Barometer of the ALP (Lisbon Owners Association) reveals that almost 73% of its respondents say they are not confident about the evolution of this sector, the highest percentage ever recorded by the barometer.

Among the landlords’ greatest fears with the arrival of the new political cycle are higher taxes (with 73.5% of responses), an even slower justice system (38.5%) and a return to rent freezes, with a third - or 33.6% of responses.

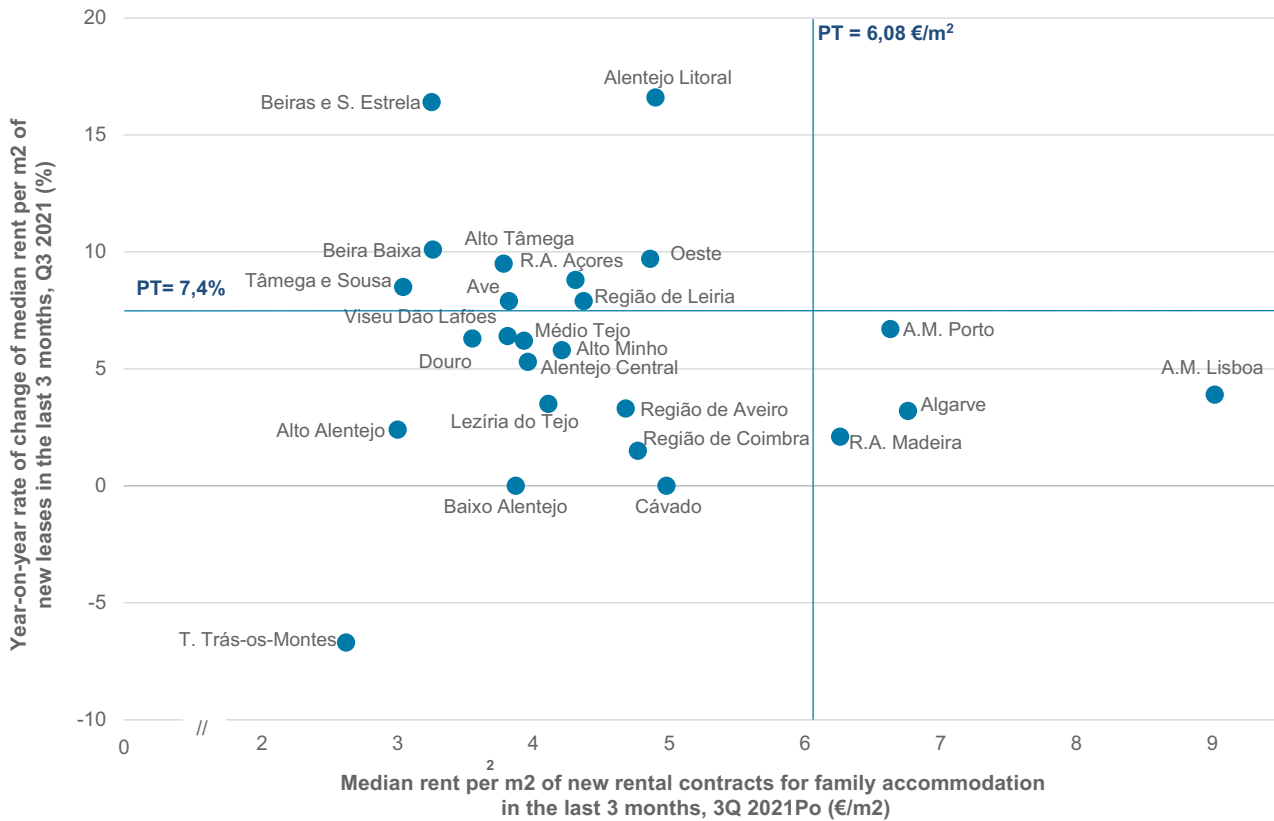
95% of the respondents does not trust the Government’s or local councils’ affordable rent programs. Landlords recorded a decrease in rent defaults, after the peak of 60% in October 2020.

The INE report relating to rentals confirms a return to positive variations in most of the regions analysed.



# Rental transactions and prices in 2021

**Median rent per m2 of new rental contracts for family accommodation, and corresponding year-on-year rate of change by NUTS III and Portugal in the 3rd quarter 2021 Po**



Nota: Po dados provisórios

The number of new contracts remains stable. Around 90,000 contracts a year are signed in Portugal. Of these, around 1/3 (29,000) are in the LMA (10,000 in Lisbon). The median rent in Lisbon is now close to 11.5 Euros.



Data from the CENSOS 2021 relating to the price structure of the rental market reveal some curiosities:

Geographic location	Dwellings rented as usual residence (No.) by Geographic localization and Monthly rental bracket; Decennial (1)				
	Data reference period: 2021				
	Monthly rental bracket				
	Total	up to 399,99€	400 to 649,99€	650 to 999,99€	1000 or more €
	N.º	N.º	N.º	N.º	N.º
<b>Portugal</b>	922921	650714	194055	57707	20 445
<b>Lisbon Metropolitan Area</b>	348033	200202	91544	40325	15962
<b>Lisbon</b>	102322	50354	22443	19729	9 796
<b>Portugal</b>		71%	21%	6%	2%
<b>Lisbon Metropolitan Area</b>		58%	26%	12%	5%
<b>Lisbon</b>		49%	22%	19%	10%

There are about 100,000 leases in Lisbon. Of these, 50% are still below 400 Euros (old, non-updatable rents) and only 30% are above 650 Euros and within these, only 10% in the market are rents above 1,000 Euros...

## Prata Riverside Village being marketed

VIC Properties has already started marketing the 107 apartments of the Square building, in the centre of the Prata Riverside Village, in the Marvila area of Lisbon. The Square building has 68 apartments ranging from studios to 3 bedroom+1, with prices from 380,000 Euros.

The West building is currently under construction and will be completed in the 1st quarter of 2022, comprising a further 107 apartments, 85% marketed. The Urban building, to be completed by the end of next year, has 30% of the 65 apartments sold. Construction of the 56 apartments of the Park building will begin soon.





## New Residential Information Database

In a work by ISCTE and bringing together diverse information collected by INE into a more user-friendly format, this platform brings together information on the stock of buildings, number of transactions, prices (sale and rental), credit, accessible rental available, local accommodation, besides other indicators.

Available at: <https://lxhabidata.iscte-iul.pt/>

