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Monthly Report | Real Estate Market | March 2022



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

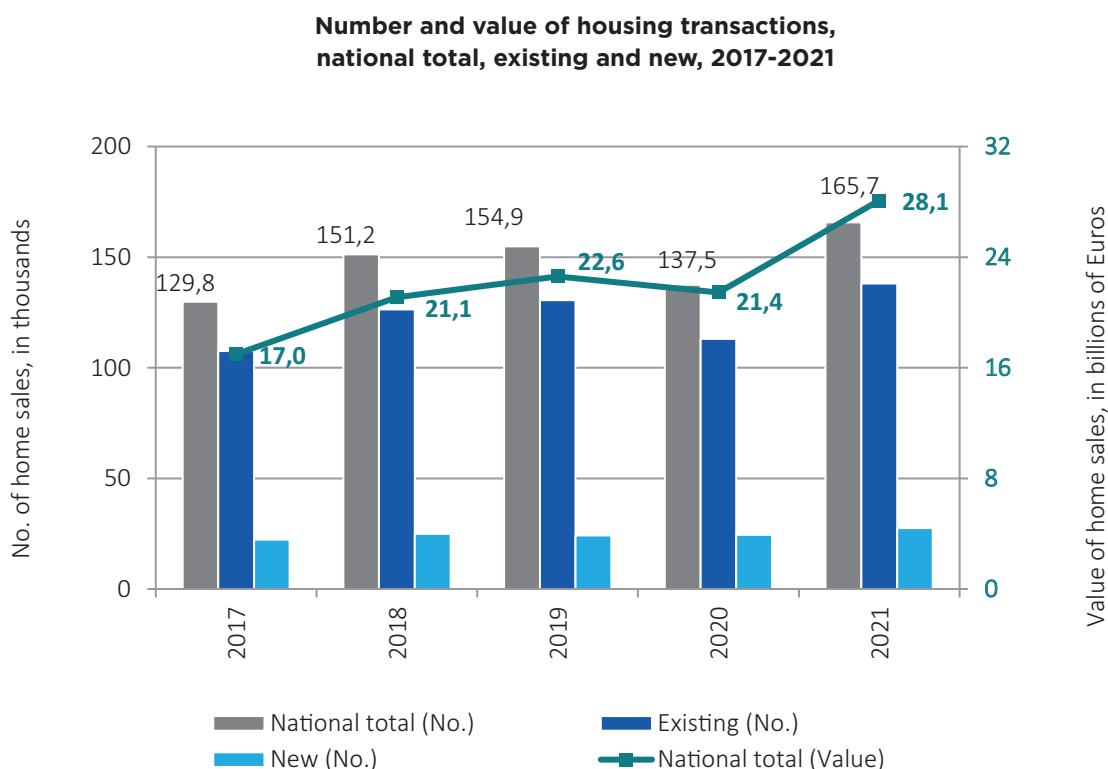


Home sales by institutional sectors in Portugal

New indicators were published on the number and value of housing transactions, broken down by institutional sector of the purchaser (households and other sectors) and tax residence of the purchaser (Domestic, European Union and Other Countries). It should be noted that the additional information provided to the INE made it possible to eliminate redundant records of payment declarations of Municipal Property Transfer Tax (IMT), leading to **a downward revision of the number and total amount of home sales.**

The review that is reflected from the start of the publication of the data (2009) meant a fall of 12% to 16% (20% to 22% in the years 2020 and 2021) in the no. and value in country wide sales and 15 to 20% (23% to 28% respectively) in the LMA (Lisbon Metropolitan area).

In 2021, using the new criteria, 165 682 dwellings were traded, which represents an increase of 20.5% compared with 2020. The value in 2021 amounted to 28.1 billion Euros, 31.1% more than in 2020.



Source: INE, Housing price index.

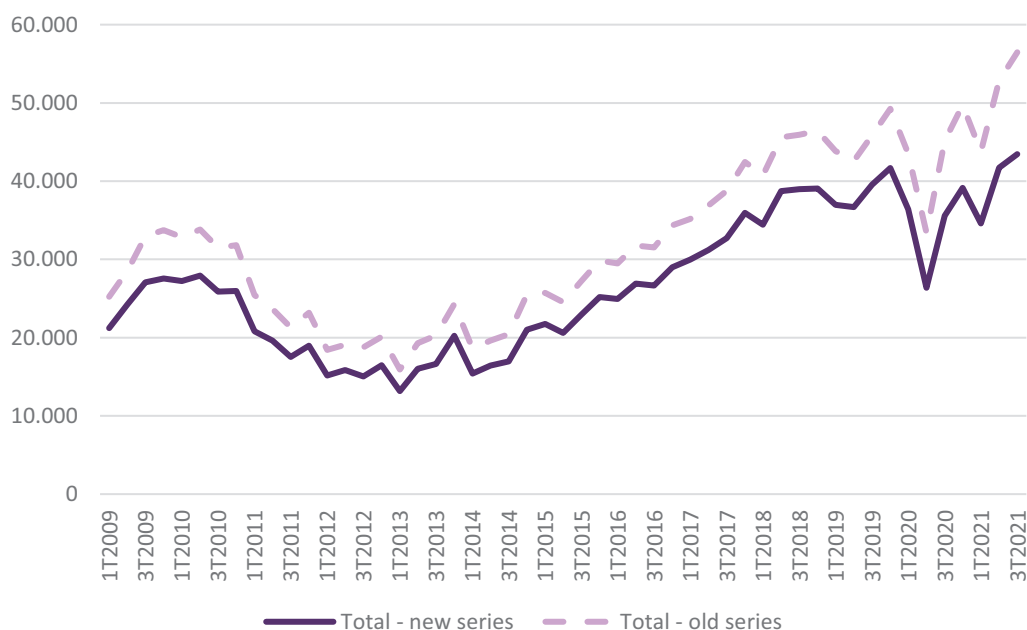


The first months of 2022 point towards a **softening in the number of sales** but with an acceleration in **price increases**. While the rise in prices has been a trend since the start of the last quarter of 2021, it is still early to assess if the fall in number is significant, since the seasonal pattern of quarterly sales has been changing in recent years, with strengthening of the 2nd semester and especially the last quarter of the year (in contrast the number of sales of the first quarter has remained practically unchanged for 3 years, also due to COVID).

Given that the series has undergone a major correction in the last 2 years, the year 2021 now shows a much more contained variation compared to the 2018-2019 biennium.

Residential transactions in the last quarter of 2021 totalled 8.2 billion Euros, resulting in a year-on-year increase of 34.9%.

Number of housing transactions, national total, 1Q2009-3Q2021



Source: INE, Housing price index.

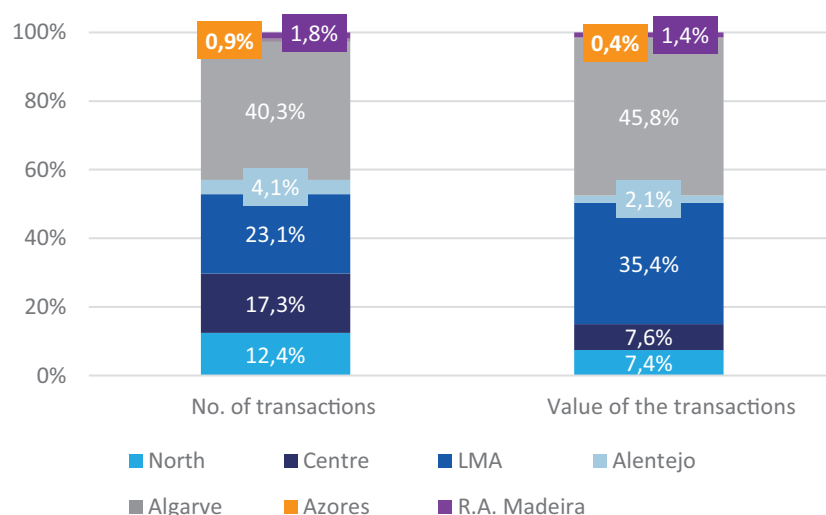
In 2021, the home sales whose purchaser belonged to the institutional sector of **Families**, represented **85.6% and 85.7%**, respectively, in number and total amount.



In the period between 2019 and 2021, the value of residential sales of **purchaser with domestic tax residence** reached 64.8 billion Euros (**89.8%** of the total). The European Union and **Other Countries**, as tax residences of the purchasers, recorded similar amounts, **3.8 billion Euros and 3.5 billion Euros**, in the same order. Of the three categories mentioned, the European Union was the only one to register a reduction in the number of transactions in relation to the previous year: -1.6%, seeing that transactions involving purchasers with their tax residence in national territory and in **Other Countries**, grew 20.3% and **66.5%**, in the same period. 24 988 sales, traded for 7.3 billion Euros, involved purchasers with their tax residence outside the Portuguese territory.

In 2021 there was a strong acceleration of investments by non-residents from outside the European Union in the 2nd semester and especially in the last quarter, probably connected to the change in the Golden Visa regime in 2022. Of the 1740 thousand million Euros, 741 million were only in the 4th quarter. It is also interesting to cross 1.7 MM invested in 2021 with the data of Other Countries recently published by the **Confidencial Imobiliário** in relation to the investments in the Lisbon Urban Rehabilitation Area (ARU), (923 Million € invested in 2021 vs 756 Million € by non-resident purchasers, of which of the European Union only the French have any significance). We can thus estimate that the **Lisbon ARU alone represents around 50% of the total investment of non-residents**. The major highlight is the significant **increase in buyers from the USA (who quadrupled their investment in the ARU vs 2021 becoming the largest investors** with €104 M) and from the United Kingdom (doubled to € 71M and are now the 4th largest investors). This **increase in interest from Non-Residents** led the value of non-residents to new maxima in the Lisbon Metropolitan Area (LMA), approaching what is traditionally the market with the highest share of foreigners - the Algarve - although foreign investment in the LMA represents only 8% of the total invested against 38% in the Algarve.

Relative distribution of the number and value of housing transactions whose purchaser has a tax residence outside the National Territory, by NUTS II, Accumulated 2019-2021

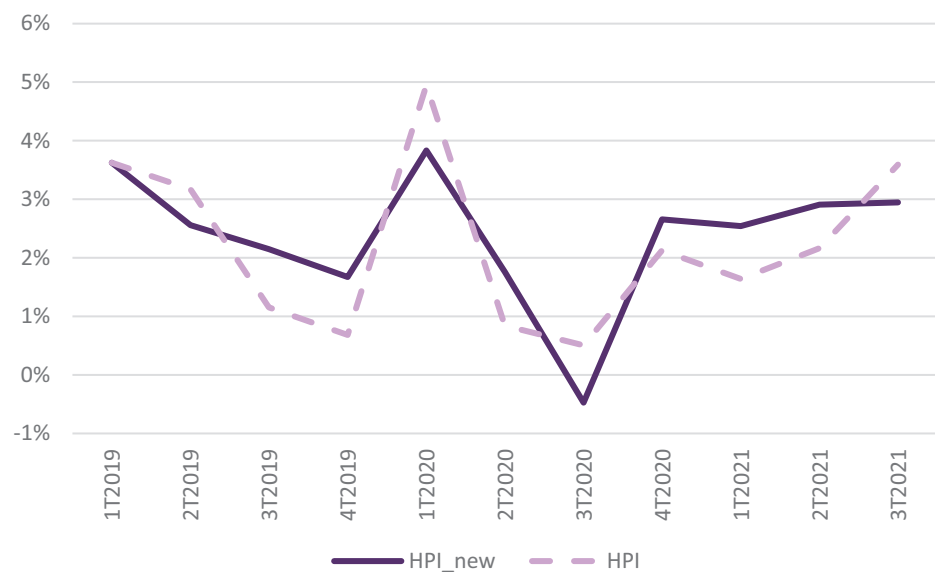




Housing price index (HPI) with 9.4% increase

The availability of additional information by the Tax Authority made it possible to establish a new index, for the period 2Q2019-3Q2021, exclusively considering purchases made by households. Here, however, the changes in the reading were not significant.

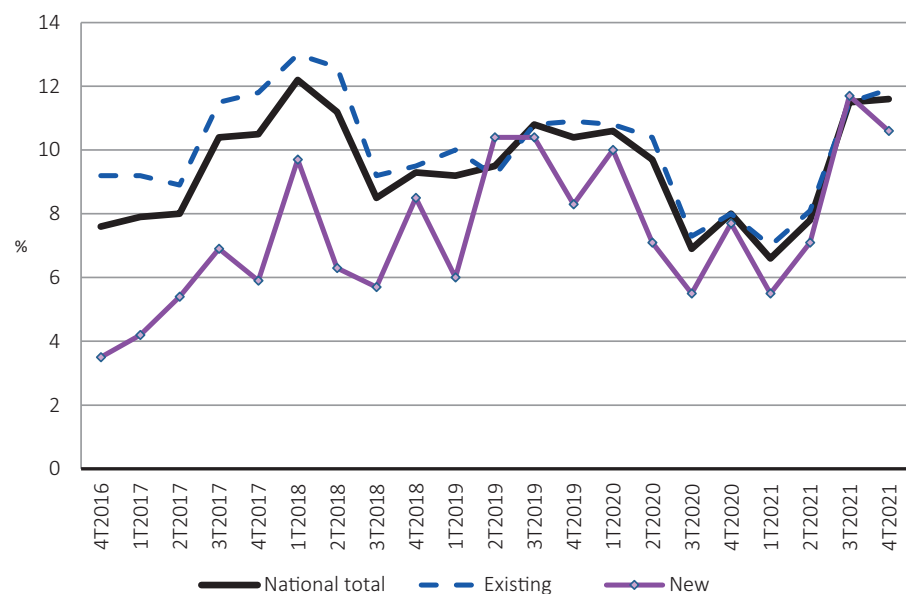
**Housing Price Index,
Quarterly rate of
change,
1Q2019-3Q2021**



Source: INE, Housing price index.

The index has shown average positive annual changes between 8% and 11% since the end of 2017.

**Housing Price Index,
Rate of 8
year-on-year change,
4Q2016-4Q2021**

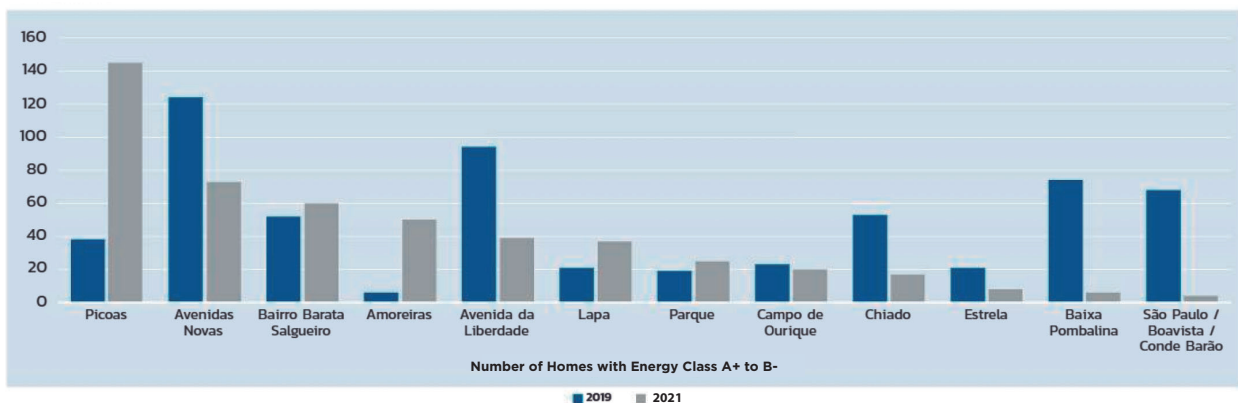


Source: INE, Housing price index.



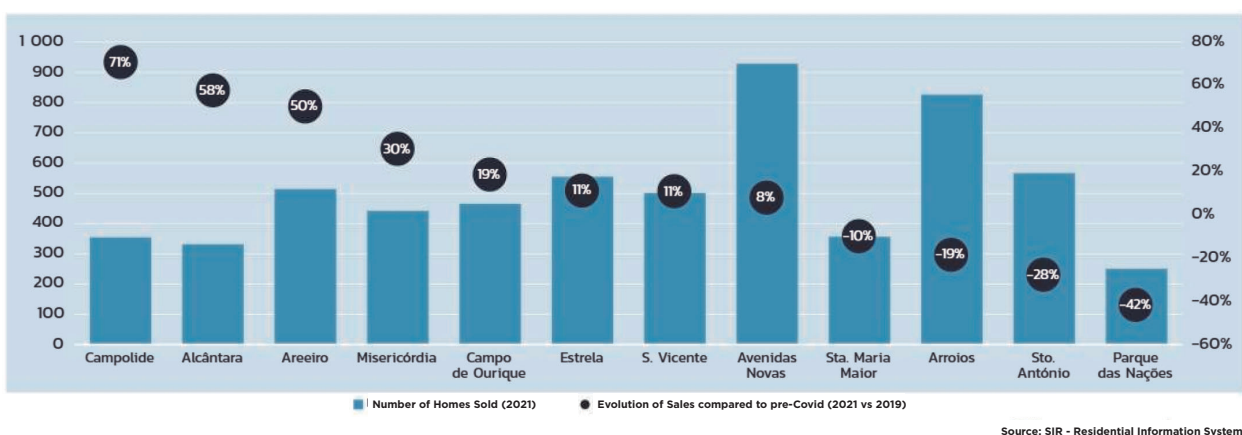
With reference to Confidencial Imobiliário's study on the city of Lisbon and analysing the **behaviour of prices in the city of Lisbon**, and as we already pointed out in previous editions, the **average values by parish have been dominated by the variation in the number on offer** (and therefore transaction, given the large percentage sold off-plan) **of new buildings**. The shift in supply of new buildings to the city's second crown (new construction and no longer renovation) is a major factor in the average value given that the **market premium for new vs. used properties continues to exceed 50%.**

NEW HOUSING TRANSACTIONS BY NEIGHBOURHOOD



It is estimated that in Lisbon around 11,000 homes have been sold with new homes representing 20% of the total.

LISBON RESIDENTIAL SALES BY PARISH



Extending the analysis to the municipalities close to Lisbon with the highest increases in value, (Cascais and Oeiras) here average price dynamics also largely reflect either regional shifts (proximity or not to prime areas / close to the sea) or of new vs used. In Oeiras we are witnessing a second wave of new construction in the zone of Miraflores (UF Algés and Linda-a-Velha) with prices at a premium that sometimes exceeds 60% of the average offering price in the used market and approaching those of the North of Lisbon (4,500€/m2 to 5,000 €/m2)



Home Leases

No. of contracts rises, prices recover (in Lisbon, still not that much...)

- 23,394 contracts were signed in the 4th quarter (+6.2%) of which around 7,948 in the LMA and 2,651 in Lisbon

Year-on-year rates of change of the median rent per m2 of new Home Leases in the municipalities with more than 100 thousand inhabitants and in the 3Q 2021 and 4Q 2021

