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Monthly Report | Real Estate Market | November - December 2023

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Political environment and European stagnation **place a cap on condition the 1st semester of 2024.**

We have reached the end of a highly unstable year, and instability is always bad for investment:

- Legislative instability with changes to the More Housing Program (Programa Mais Habitação) in the first half of the year, and new changes arising from the somewhat hasty approval of the State budget for 2024 in the midst of a political crisis.
- We also had the issue of the subsidy, promised at the time of the decision to prevent the transition (postponed successively since 2017) to the NRAU (New Urban Lease Regime) for contracts prior to the entry into force of the RAU (14/11/1990). Announced with pomp, but discretely denied in meetings with the Associations, it seemed that in the end there would be an exemption from IRS (income tax) and IMI (property tax) for properties covered by these contracts, which ended up by being approved and passed just before Christmas. More episodes in the following issues!
- The announced elimination of the Non-Habitual Residents Program was later followed by a proposal to soften its entry into force... if not for the last time. The vilification of this program by some on the left finally paid off... our competitors applauded.
- Geopolitical instability, with the prolongation of the armed conflicts in the East and in the Middle East will add to the effects mentioned above and further deter Investors

On a (slightly) positive note:

- The Portuguese Parliament rejected proposals to limit (once again) the recovery from the effect of inflation on rents, allowing them to be indexed as provided for in the contracts.
- The IMT brackets were changed by 5% (which is well below accumulated inflation in the last two years).
- The new liberatory tax brackets for income from property were approved.

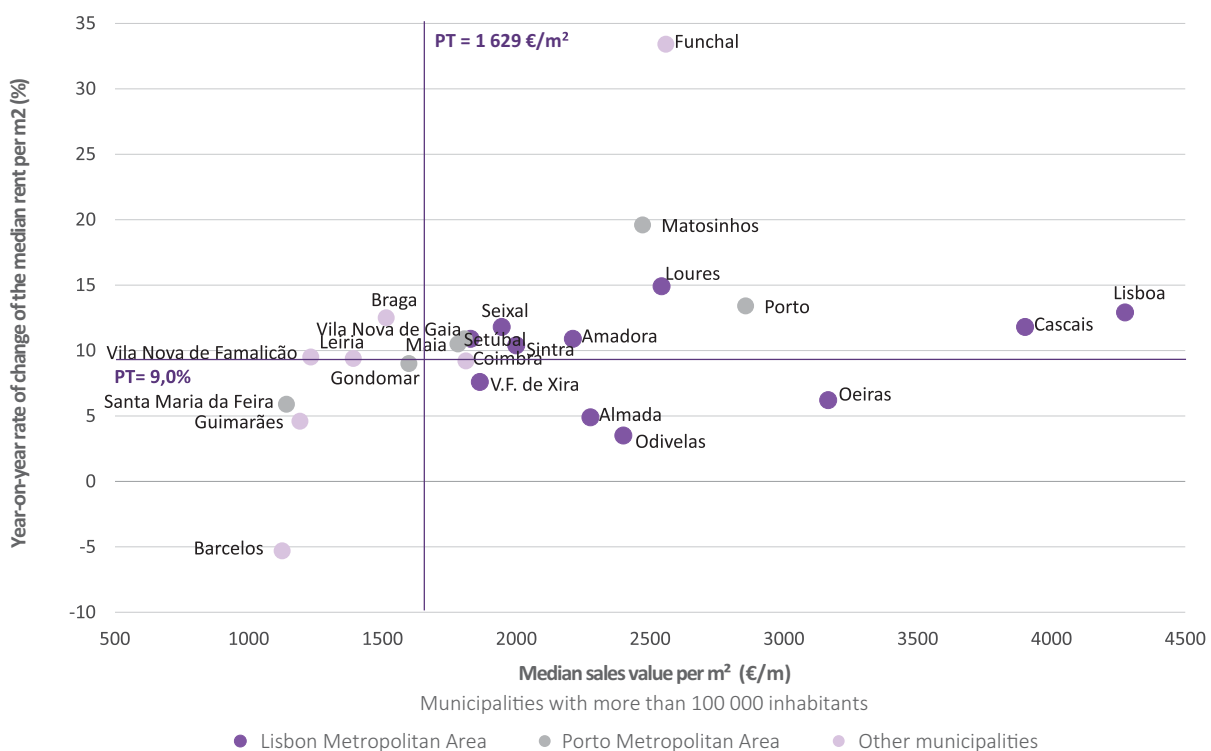
Duration of the contract	Current Regime	New Regime
Up to 2 years	28%	25%
3 to 5 years	26%	25%
Between 5 and 10 years	23%	15%
Between 10 and 20 years	14%	10%
Over 20 years	10%	5%



Price trends stabilise on the peripheries of Metropolitan Areas

After almost 2 years in which the prices of the municipalities around the Lisbon and Porto Metropolitan Areas increased at a much higher rate than the “centre”, the year-on-year change and the 2nd quarter vs 1st quarter of 2023 indicate a harmonisation of price increases. Matosinhos, with an increase of twice the average, was an exception (source INE).

Value and year-on-year rate of change of the median sales value per m2 of family accommodation, Portugal and municipalities with more than 100 000 inhabitants, 2Q 2023



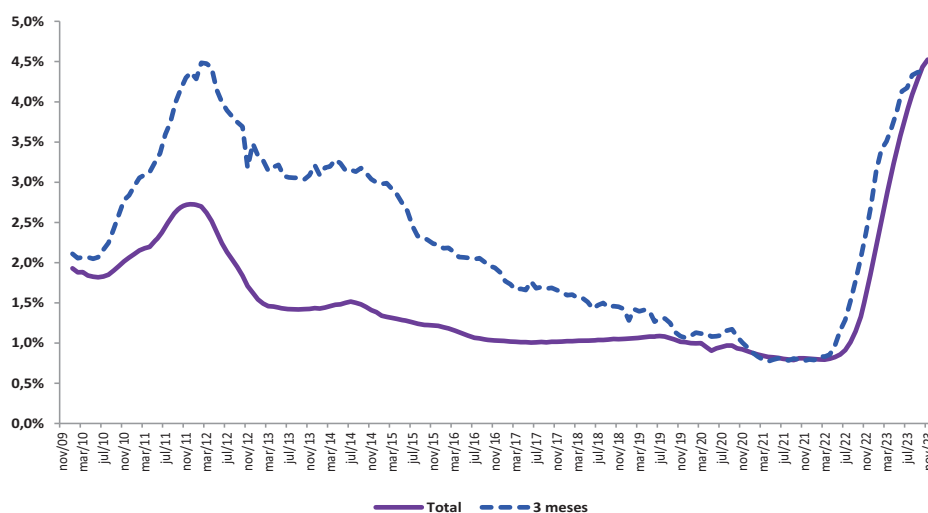
In the 3rd quarter of 2023, Lisbon continued to appreciate (year-on-year change of 6.4% source CI) although at a lower level than the other municipalities of the LMA (> 10%)



More expensive credit but demand remains stable

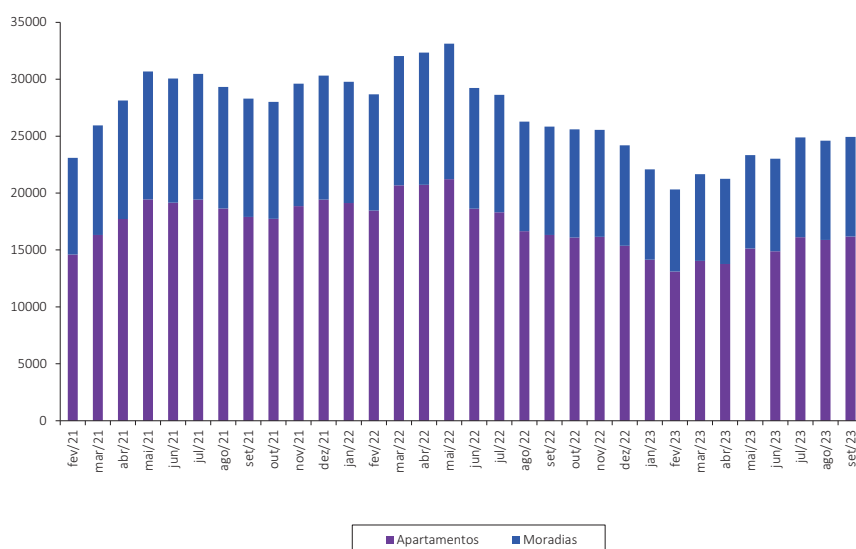
The implicit interest rate on mortgage loans rose to 4.524%, up 9.1 b.p. on the previous month and the highest since March 2009. It should be noted that, for the sixth consecutive month, increases in the implicit interest rate have been progressively less intense. For contracts concluded in the last three months, the interest rate was 4.366%, which reflects a decrease of 1.4 b.p. compared to the previous month, for the first time since March of 2022.

Implicit interest rates on mortgage loans by Contract Period



In spite of this, the credit indicator remains quite resilient to the increase in rates.

Number of Bank Valuations





Demand for new developments in Lisbon remains high, with Avenidas Novas leading the way for new housing projects.

According to Confidencial Imobiliário, of the 1800 dwellings applying for a licence in Lisbon (8,800 in the LMA), 480 are in this parish of Lisbon. Projects under construction at the moment are Vértice, near Campo Pequeno (> 90 dwellings), DUUO in Praça de Espanha (140) and the project (279) on the site of the former Feira Popular as well as other smaller projects.

If we add to these private enterprise projects the affordable rent accommodation under construction in the Entrecampos area (> 150) and student residences near ISCTE, we can see that this is currently one of the most dynamic zones of the city.

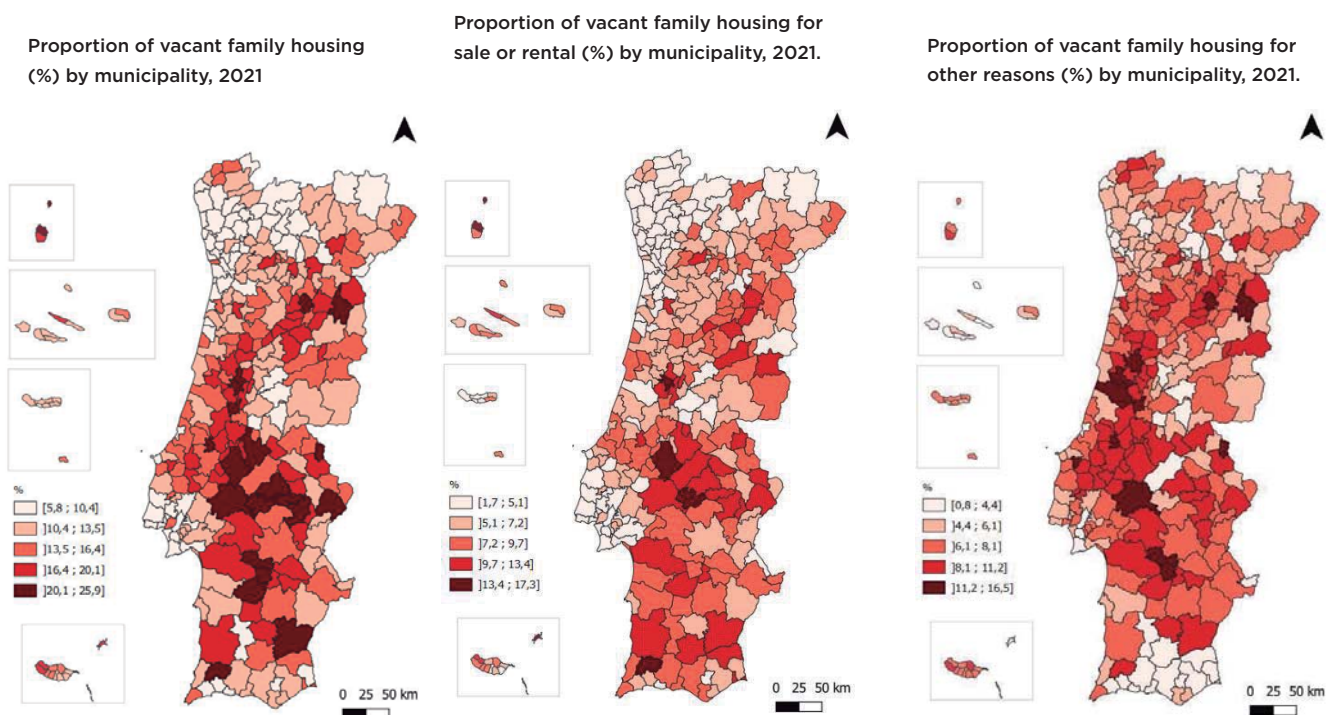
In relation to other zones of the city, the good pace of the Vic Properties / Prata Riverside / projects in Marvila (350 completed and > 500 by the end of 2026) and Solyd / Altear (> 500 dwellings with 10 buildings already built) should be noted. Also in Alta de Lisboa, Lisbon Heights, located on a former farm in Lumiar, started up. This will occupy an area of around 20,000 square metres and includes apartments and 13 homes totalling 95 dwellings.

As a result of the dynamism generated by these and other developments, average transaction values in the parishes of Lisbon are behaving surprisingly, with the average prices of Marvila / Beato coming very close to the Parque das Nações.



Support measure for Landlords gave rise to the largest study on the characteristics of rental contracts in Portugal

At <https://www.portaldahabitacao.pt/publicacoes-e-estudos> we can find the study commissioned by the Government from the IHRU (Housing and Urban Rehabilitation Institute) which is a must-read for those who want have a complete overview of the current state of the rental market (and beyond). It has **320 pages** of cross-referenced data between diverse entities (INE, Inland Revenue, local councils) which is grouped by time periods in which contracts were concluded, made available by the Censuses, taking into account the most significant legislative milestones, the implementation of the RAU, the NRAU and after the NRAU (2012). Thus, the **indicator of the time of contract conclusion is grouped in five classes**: before 1991; from 1991 to 2005; from 2006 to 2011; from 2012 to 2016, and from 2017 to 2021.



Source: INE; Elaboration: OHARU.