



Portugal Property Market 2019 - Article 1

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Portugal's house price boom continues!

Portugal's housing prices continue to rise strongly, fueled by surging demand as well as improved economic conditions. Property prices in Portugal rose by 6.09% (5.39% in real terms) y-o-y in 2018, to an average price of €1,220 (US\$1,395) per square metre (sq. m.), based on figures released by Statistics Portugal. During the latest quarter (Q4 2018), house prices increased 1.24% (2.03% in real terms) from the previous quarter.

After more than three years of depression, house prices in Portugal started to recover in 2014. House prices have been rising since.

In **Lisbon metropolitan area**, property prices were up by 7.9% (7.2% in real terms) in 2018 from a year earlier, to an average of €1,502 (US\$1,717) per sq. m.

House prices rose in 23 of the country's 24 urban areas. **Porto** recorded the highest increase of 15.6% during 2018, followed by **Amadora** and **Seixal** (13.9%), **Sintra** (13.7%), **Setúbal** (13.5%), **Maia** (13.4%), **Almada** (12.9%), **Loures** (12.6%), **Barcelos** (11.4%), **Cascais** (10.6%), **Vila Franca de Xira** (10.5%), **Vila Nova de Gaia** (10.3%) and **Braga** (10.1%).

Strong house price rises were also registered in **Matosinhos** (9.8%), **Odivelas** (9.7%), **Gondomar** (8.2%), **Oeiras** (8%), **Vila Nova de Famalicão** (7.5%), **Leiria** (6.6%) and **Guimarães** (6.4%).

Modest house price increases were seen in **Santa Maria da Feira** (4.6%), **Lisbon** (2.4%) and **Funchal** (2.3%). Only **Coimbra** saw a house price decline of 2% during 2018.

By property type:

- Flats prices rose by 7% (6.3% in real terms) y-o-y in 2018, to an average of €1,284 (US\$1,468) per sq. m
- Villa prices rose by 4.9% (4.2% in real terms) during 2018, to an average of €1,119 (US\$1,279) per sq. m

Demand is rising strongly. In Q3 2018, the total number of housing transactions in Portugal rose strongly by 18.4% to 45,935 units from a year earlier, according to INE. Likewise, the value of transactions surged 29.1% y-o-y to €6.28 billion (US\$7.17 billion) over the same period. Clearly the new wealth tax introduced in 2017, applicable to higher-valued properties, has in fact had a negligible impact on the luxury housing market.

The Portuguese housing market is expected to remain buoyant this year, with **Moody's Investors Service** predicting house price increases of between 7% and 8% every year until 2020.

There are no restrictions on foreign property ownership in Portugal and transaction costs are generally low.

Portugal will grant a 5-year residency permit to non-EU citizens who buy a minimum of €500,000 worth of property. The permit allows holders to work or study, as well as to travel in Schengen countries. They can opt to apply for permanent residency after five years.

The Portuguese economy expanded by 2.2% in 2018 from a year earlier, after annual rises of 2.8% in 2017, 1.6% in 2016, 1.8% in 2015, and 0.9% in 2014, according to the European Commission. The economy is expected to grow by 1.8% this year and by another 1.7% in 2020.

Analysis of Portugal Residential Property Market

Rental Yields

Rental yields on Lisbon apartments good, ranging from 5.4% to 6.2%.

Lisbon's property market is now reasonably priced. Comparatively speaking, Lisbon housing prices are among Europe's lowest:

- an 85 square metres (sq. m.) Lisbon apartment in an elite area may cost around EUR 200,000 to buy
- a 120 sq. m. Lisbon apartment may cost around EUR 300,000 to buy
- a 250 sq. m. Lisbon apartment may cost around EUR 840,000

How much will you earn? Apartment yields in Lisbon District range from 4.5% to 6.7%, with smaller apartments earning proportionately more. These are good yields and the purchase price is attractive for a European capital city, though Lisbon is hardly at the centre of things. **Villas in Lisbon** have similar gross rental yields.

Cascais apartments can generate excellent returns at 6.7%, while houses in Oeiras can generate surprisingly good returns at 6.15%.

In **Faro, Algarve**, a 120 sq. m. apartment costs on average EUR 1,870 per sq. m., or EUR 215,000. Apartments in Faro return rental yields of around 4.5%.

Conclusion: after many years on the back-burner, Lisbon is looking good. Tourist interest in the centre of Lisbon is enormous, so the option of letting via Airbnb is there for much of the year. Lisbon's rental yields are comparatively among the highest in Europe, and Lisbon's price to rent ratios are among Europe's lowest.