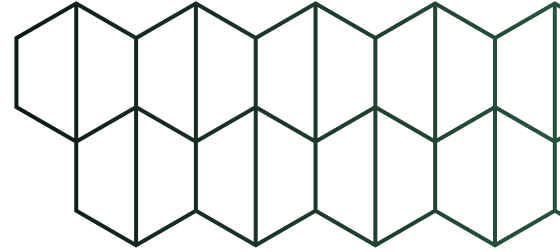


ALL YOU NEED TO KNOW ABOUT  
INVESTING IN PORTUGAL

THE  
SEPT 2022  
PROPERTY  
HANDBOOK



# PROPERTY MARKET AT A GLANCE



## INVESTMENT MARKET

Average Investment Turnover 2017-2021

**€2.9** Billion

Investment Turnover (up to July)

**€1.4** Billion

PRIME YIELD (Q3 2022)

Office (Gross)

**4.00%**

Shopping Centre (Net)

**5.60%**

High Street (Gross)

**4.25%**

Logistics (Gross)

**4.50%**

Hotels (Gross)

**5.00%**

## OFFICE OCCUPIERS MARKET

LISBON

Stock

**4.3** Million sq m

Vacancy Rate (Q2 2022)

**8.9%** (+1.4pp yoy)

Average Take-up (2017-2021)

**174,000** sq m

Gross Take-Up (H1 2022)

**168,300** sq m

Under construction:

**279,000** sq m  
60% committed

Prime Rent (Q2 2022)

**€25** /sq m/month  
(+0% yoy)

PORTO

Stock

**1.3** Million sq m

Vacancy Rate (Q2 2022)

**5.8%** (-2.6pp yoy)

Average Take-up (2017-2021)

**57,000** sq m

Gross Take-Up (H1 2022)

**30,300** sq m

Under construction:

**84,000** sq m  
32% committed

Prime Rent (Q3 2020)

**€18** /sq m/month  
(0% yoy)

## RETAIL OCCUPIERS MARKET

RETAIL SCHEMES

Stock in Shopping Centres

**2.8** Million sq m

Stock in Retail Parks

**0.5** Million sq m

Shopping Centre Prime Rent (Q2 2022)

**€90.25**  
/sq m/month (-5% yoy)

HIGH STREET

Lisbon High Street Prime Rent (Q2 2022)

**€130**  
/sq m/month (+1% yoy)

Porto High Street Prime Rent (Q2 2022)

**€70**  
/sq m/month (+8% yoy)

Lisbon Prime Locations

**CHIADO**  
**AV. LIBERDADE**  
**RUA AUGUSTA**

Porto Prime Locations

**R. DE SANTA CATARINA**  
**CLÉRIGOS**  
**ALIADOS**

# PROPERTY MARKET AT A GLANCE

## LOGISTICS OCCUPIERS MARKET

LISBON

Stock  
**2.5** Million sq m

Average Take-up (2017-2021)  
**168,000** sq m

Under construction:  
**145,000** sq m  
85% committed

Vacancy Rate (Q2 2022)  
**2.2** % (-2.2pp yoy)

Gross Take-Up (H1 2022)  
**68,300** sq m

Prime Rent Big Box (Q2 2022)  
**€4.00** /sq m/month  
(0% yoy)

PORTO

Stock  
**1.1** Million sq m

Average Take-up (2017-2021)  
**83,000** sq m

Under construction:  
**67,000** sq m  
66% committed

Vacancy Rate (Q2 2022)  
**c.1** %

Gross Take-Up (H1 2022)  
**57,900** sq m

Prime Rent (Q2 2022)  
**€4.25** /sq m/month  
(+6% yoy)

## HOTEL MARKET

Bed Supply Annual  
Average Growth (2014-2019)

**4** %

Overnight Stays Annual  
Average Growth (2014-2019)

**7** %

Overnight Stays  
Annual Average (2015-2019)

**38** Million

Overnight Stays (July YTD 2022)

**30** Million  
(-5% vs 2019)

LISBON

Overnight Stays  
Annual Average (2015-2019)

**10.2** Million

Overnight Stays  
(Jan-May 2022)

**3.2** Million  
(-17% vs 2019)

RevPAR (2019)

**€91**

RevPAR (May 2022 vs May 2019)

**-7** %

PORTO

Overnight Stays  
Annual Average (2015-2019)

**2.9** Million

Overnight Stays  
(Jan-May 2022)

**1** Million  
(-4% vs 2019)

RevPAR (2019)

**€74**

RevPAR (May 2022 vs May 2019)

**-12** %

## RESIDENTIAL MARKET

New houses concluded (2021)

**19,081**  
(+13% yoy)

Sales contracts (2021)

**165,682**  
(+20% yoy)

Housing Price Change (Q1 2022)

**+12.9** %  
yoy

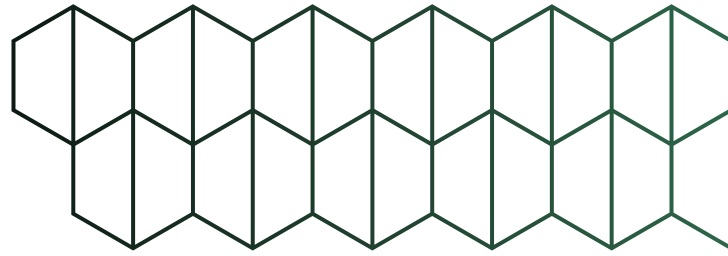
Median Price of new Homes in Lisbon (Q1 2022)

**€5,100** /sq m  
(+16% yoy)

Median Price of new Homes in Porto (Q1 2022)

**€2,800** /sq m  
(+3% yoy)

# LEGAL AT A GLANCE



## PROPERTY TITLE

“Full Ownership” (direito de propriedade) is the most common and the strongest form of ownership title over real estate in Portugal. The full owner of a property is entitled, within the limits of the law, to exclusive rights of use, fruition and disposal of the property, such ownership being unlimited in time.

Under Portuguese Law other forms of property tenancy are allowed, such as horizontal property (condominium), co-ownership (compropriedade), surface right (direito de superfície) and usufruct (usufruto).

## LEASE

The assignment of use of properties for non-residential purposes, notably, commercial, industrial and office purposes is typically formalized by means of “non-residential lease agreements”, subject to the Portuguese “Urban Lease Law”.

The Urban Lease Law is quite flexible, especially for non-residential purposes, as the most relevant features of the lease, such as duration, renewal (with some limitations), termination, rent review scheme, maintenance, works, etc., may be freely stipulated by the parties.

The assignment of use of properties for residential purposes is typically formalized by means of “residential lease agreements”, subject to the Portuguese “Urban Lease Law”. Residential lease agreements may also be entered for non-permanent residence or for transitory purposes, such as, labour, education or touristic reasons and, in these cases, they have a specific regime.

The Urban Lease Law is reasonably flexible in relation to new residential leases. Although most of the terms and conditions may be freely agreed by and between the parties (notably, provisions related with rent, rent review, works, costs and service charges, etc.), the rules regarding term and termination are mandatory and parties are not allowed to establish otherwise. Old lease agreements have specific and more strict rules.

## INVESTMENT STRUCTURES

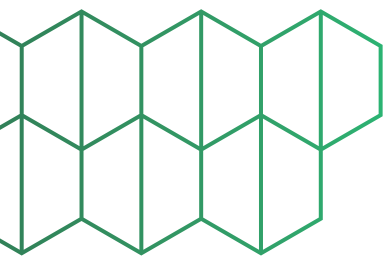
Apart from the standard direct acquisition of the asset (asset deal), investors tend to structure their investments by resorting to indirect acquisition solutions (share deal), through different alternatives, as detailed below:

- Corporate vehicles, that mainly include public limited liability companies (“sociedades anónimas”) or private limited liability companies (“sociedades por quotas”);
- Portuguese Collective Investment Undertakings, that include (i) real estate investment funds, which capital is composed by the fund’s units and (ii) public limited liability companies, which capital is composed by shares;
- SIGI’s (the Portuguese REIT regime was enacted in 2019, in order to create an additional instrument to attract local and foreign investment for the acquisition of real estate assets and projects mainly focused on the lease market).

## REAL ESTATE TRANSACTIONS

The transfer of real estate assets in Portugal (asset deal), may be performed by means of (i) a public deed, or (ii) a private document certified by a notary, a Land Registry Office or a lawyer.

Alternatively, the transfer of real estate assets in Portugal may be performed indirectly, by means of the acquisition of shares in the property holding company (share deal). The transfer of shares may be effected by means of a private agreement between the parties.



# LEGAL AT A GLANCE

## FINANCING

The financing of real estate projects in Portugal is typically secured against the relevant real estate assets and/or the shares of the property-owning company and/or the property generated income. A mortgage is the most common security provided. Pledges of shares and receivables or credits (rents, deposits, indemnities, etc.) are also commonly included in real estate financing security packages.

## PLANNING AND LICENSING

In Portugal, the building code of each Municipality is specified in the town and country planning instruments and the use of any real estate asset is generally subject to Municipal Use Permit, which is the document attesting that a certain construction was built in accordance with the approved construction license and stating the respective authorized use. Except when exempted, the existence of the Municipal Use Permit is also mandatory to property transfer within asset deals.

The license procedure is the standard procedure applicable whenever the law does not establish specifically that the operation in question may be exempted of such procedure or subject to the mere Previous Communication.

Prior to filing a licensing request, it is possible, although not mandatory, to file a previous information request in order to obtain further certitude regarding the feasibility of the intended project.

## GOLDEN VISA

The Golden Visa program allows the granting of a temporary residence permit for third-country nationals that intend to invest in Portugal, notably through the acquisition of real estate assets with a minimum price value of € 500,000 or through the purchase of real estate property for renovation in buildings older than 30 years or located in urban renovation areas, in which case the total investment value allowing to apply for the residence permit is lowered to € 350,000.

The Government reviewed the Golden Visa program, and determined that, as from January 1, 2022, the quantitative requirements regarding the acquisition of residential properties would only qualify for the purposes of the Golden Visa program if the real estate properties are in inland municipalities and in Azores or Madeira.

## NON HABITUAL RESIDENTS TAX REGIME

This regime, applicable to both EU and non-EU citizens, is applicable to individuals who have not been considered residents for tax purposes in the last five years and decide to transfer their tax residence to Portugal.

Individuals who are eligible to register voluntarily as a NHR may benefit for a 10-year period from the NHR Tax Regime, provided that in each of those 10 years they are considered residents for tax purposes.

A NHR will be exempt from personal income tax on certain types of qualifying income if this income is subject to tax in the country of source under an existing Double Tax Treaty that allows for this or, if no Tax Treaty exists, is subject to tax in another jurisdiction and is not considered as Portuguese source income under domestic rules.

# TAX AT A GLANCE

## ASSET DEAL

ACQUISITION OF REAL ESTATE	PROPERTY TRANSFER TAX (IMT)	<p>Property Transfer Tax is a municipal tax levied on the transfer of real estate located in the Portuguese territory.</p> <p>Property Transfer Tax is levied on the higher of (i) the declared acquisition value and (ii) the taxable value of the property.</p> <p>The applicable tax rates may range between 5% and 10%.</p>
	STAMP DUTY (IMPOSTO DO SELLO)	<p>Stamp duty is levied on the acquisition of property, at a rate of 0.8%.</p> <p>Stamp Duty is levied on the higher of (i) the declared acquisition value and (ii) the taxable value of the property.</p>
PROPERTY HOLDING	MUNICIPAL PROPERTY TAX (IMI)	<p>General regime rates (levied on the taxable value of the property) which may range between 0.3% to 7.5%.</p>
PROPERTY INCOME	CORPORATE INCOME TAX (IRC)	<p>Resident company: All income is included in the taxable profits and subject to Corporate Tax Income. Currently the Corporate Tax Income rate is of 21%, accrued with municipal surcharge (up to 1.5%) and state surcharge (if applicable, up to 9%).</p> <p>Non-resident investor: Property income is subject to Corporate Tax Income at a rate of 25% levied on the amount of the lease income.</p>
SALE OF REAL ESTATE	CAPITAL GAINS - CORPORATE INCOME TAX (MAIS-VALIAS-IRC)	<p>Resident company: All income is included in the taxable profits and subject to Corporate Tax Income. Currently the Corporate Tax Income rate is of 21%, accrued with municipal surcharge (up to 1.5%) and state surcharge (if applicable, up to 9%).</p> <p>Foreign investor: Capital gains are subject to Corporate Tax Income at 25%.</p>

## SHARE DEAL

ACQUISITION OF SHARES	PROPERTY OTHER TAXES (IMT/OUTROS IMPOSTOS)	<p>Property Transfer Tax applies on the acquisition of more than 75% of the share capital of a Portuguese company, whose assets are comprised in more than 50% by real estate located in Portuguese territory, as well as of the units of a privately placed closed-end real estate investment fund ("fundo de investimento imobiliário fechado de subscrição particular"), which own real estate located in Portugal.</p>
ACTIVITY	PROFITS (LUCROS)	<p>Corporate Income Tax rate: 21%</p> <p>Municipal Surtax (levied on the taxable profits before the deduction of tax losses carried forward from previous years): 0% to 1.5%</p> <p>State Surtax (levied on the taxable profits before the deduction of tax losses carried forward from previous years): may range between 3% to 9%.</p>
	DIVIDENDS (DIVIDENDOS)	<p>There is a withholding tax exemption pursuant to the "participation exemption regime" provided certain conditions are complied with, namely if the shareholder holds at least 10% of the subsidiary for a minimum period of 1 year prior to the distribution.</p> <p>Foreign shareholders that do not qualify for the "participation exemption" are subject to a withholding tax rate of 25%, except if they are eligible to claim double tax treaty benefits.</p>
SALE OF SHARES	CAPITAL GAINS (MAIS-VALIAS)	<p>Capital gains realized by resident shareholders are included in the taxable profits of the shareholder, except if the "participation exemption" regime applies. Regarding non-resident shareholders, capital gains are subject to Corporate Income Tax at a rate of 25% except if an exemption applies pursuant to the Tax Benefits Code or a double tax treaty.</p>

# AGRIBUSINESS AT A GLANCE

## PROPERTY TITLE

Full ownership is the most standard title in agricultural real estate transactions whenever the agricultural investor intends to be the owner of the land and to use and take profit from it without limits.

However, other types of titles may also be considered under the agricultural strategy of the farmer (e.g., surface right or leasehold).

## RURAL LEASE

A rural lease is an agreement under which the owner of a rural property assigns its use to an individual or company for agricultural or forestry purposes, or to produce agricultural or forestry-related goods and activities.

The rural lease agreement may be of 3 types: (a) agricultural lease, (b) forestry lease, or (c) seasonal crop lease, depending on the purpose established by the parties in the agreement.

Rural leases are not very flexible in what regards the possibility to freely establish the terms and conditions of the agreement, having certain mandatory rules related with its term and termination.

## AGRICULTURAL REAL ESTATE TRANSACTIONS

In agricultural real estate transactions deals (carried out by means of asset deal), the parties usually enter into a promissory sale and purchase agreement that precedes the definitive agreement of conveyance of the property; however, this is not mandatory and the parties may proceed directly to the execution of the public deed.

According to Portuguese legislation, there are some specific entities that may benefit from pre-emption rights in the transfer of rural real estate properties (tenants in rural leases and owners of adjacent properties), in addition to those entities that may typically pre-empt over the transactions of urban properties (e.g., public entities).

The law foresees some restrictions and rules to the modification of rural properties, notably to their split (fractioning) or reunion (parcelling) into parcels of land.

## FINANCING

The financing facilities to be contracted within the scope of the credit lines aimed at financing the operating needs of the productive units of the agriculture, forestry and livestock sectors, benefit from a limited maximum nominal interest rate indexed to Euribor 6 months to which may accrue a limited maximum spread.

These short-term credit lines made available by local credit institutions benefit from several commercial advantages, such as, a subsidy of 20% over the applicable reference interest rate granted by the IFAP, a speedier analysis and decision of the credit proposals, competitive spreads and reduced commissions.

The cumulative amount of aid to be granted to each farmer/producer shall not exceed €20,000,00 over any period of three fiscal years.

## LICENSING

From a regulatory and licensing standpoint, the development of an agricultural related activity may be dependent on a prior licencing procedure containing concrete requirements and specifications.

The use of water resources and the occupation of the public hydric domain is ruled by a main principle that determines the prior obtainment of a water use title for all activities that may have a significant impact on the water stage. For agricultural uses, usually the necessary water use title may be issued by means of a license or a concession agreement, depending on the area to be irrigated.

## TAX

Rural properties benefit from the lowest Property Transfer Tax rate (5% compared to a maximum rate of 7.5% for residential properties).

In addition to the above, a specific range of exemptions may apply to the fractioning and parcelling of rural properties, provided certain conditions are complied with.



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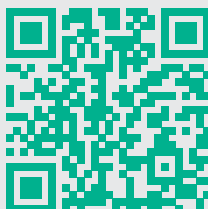
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