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PORTUGAL

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# Real Estate Summit



# Portugal Living Market

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# IN 2023 WE STATED

The pieces must  
fit together to  
meet the needs!

**TAX  
Burden**

**High  
Construction  
Costs**

**Lower Expected  
return vs BTS**

**Legislative  
Instability**

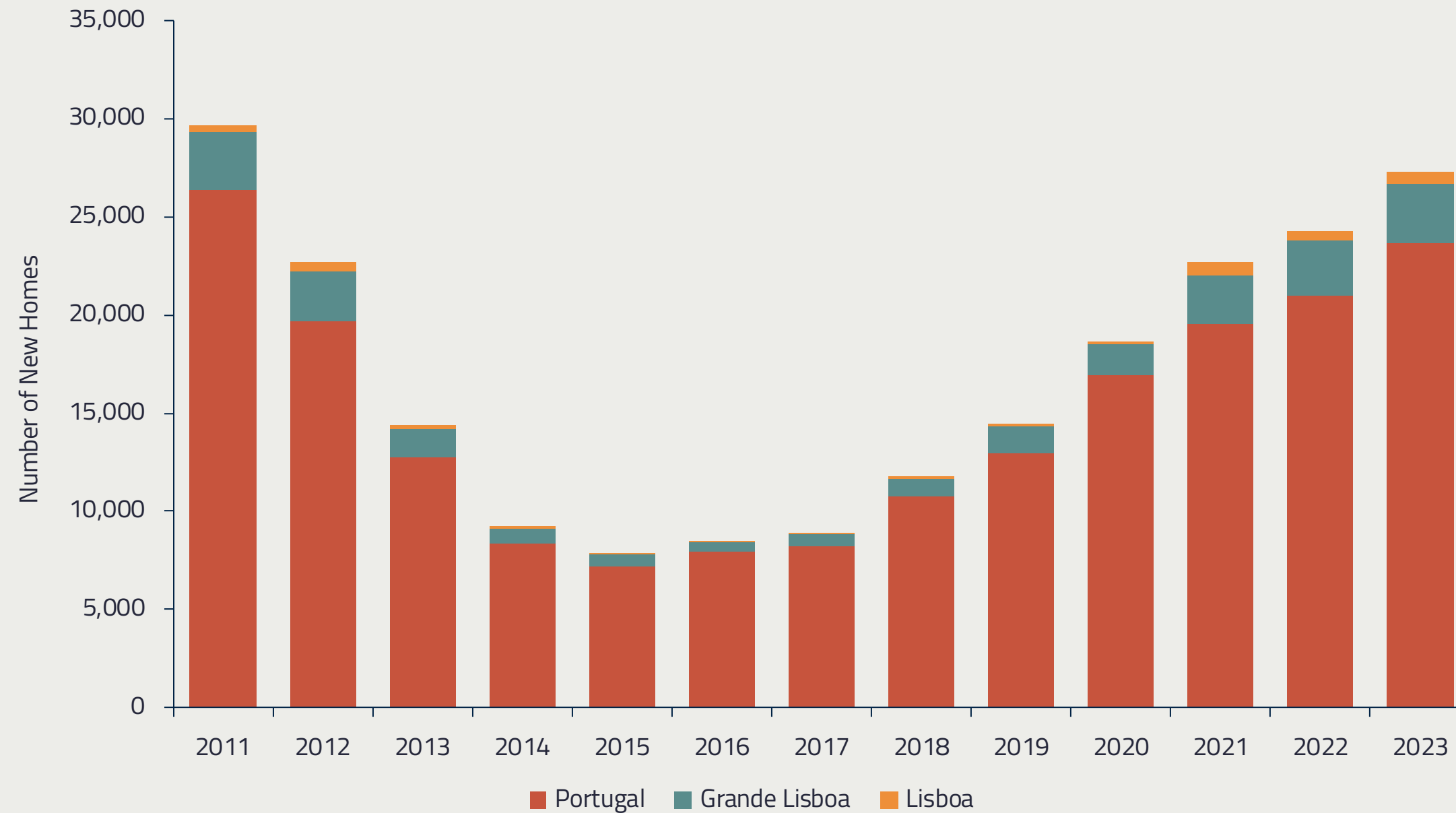
**Bank  
Financing**

**Land costs  
Licensing time**

# BEHIND THE NUMBERS

Significant slowdown in the growth of the housing stock in Portugal compared to previous decades.

**Number of New Homes Completed in Portugal & Lisbon (2011-23)**



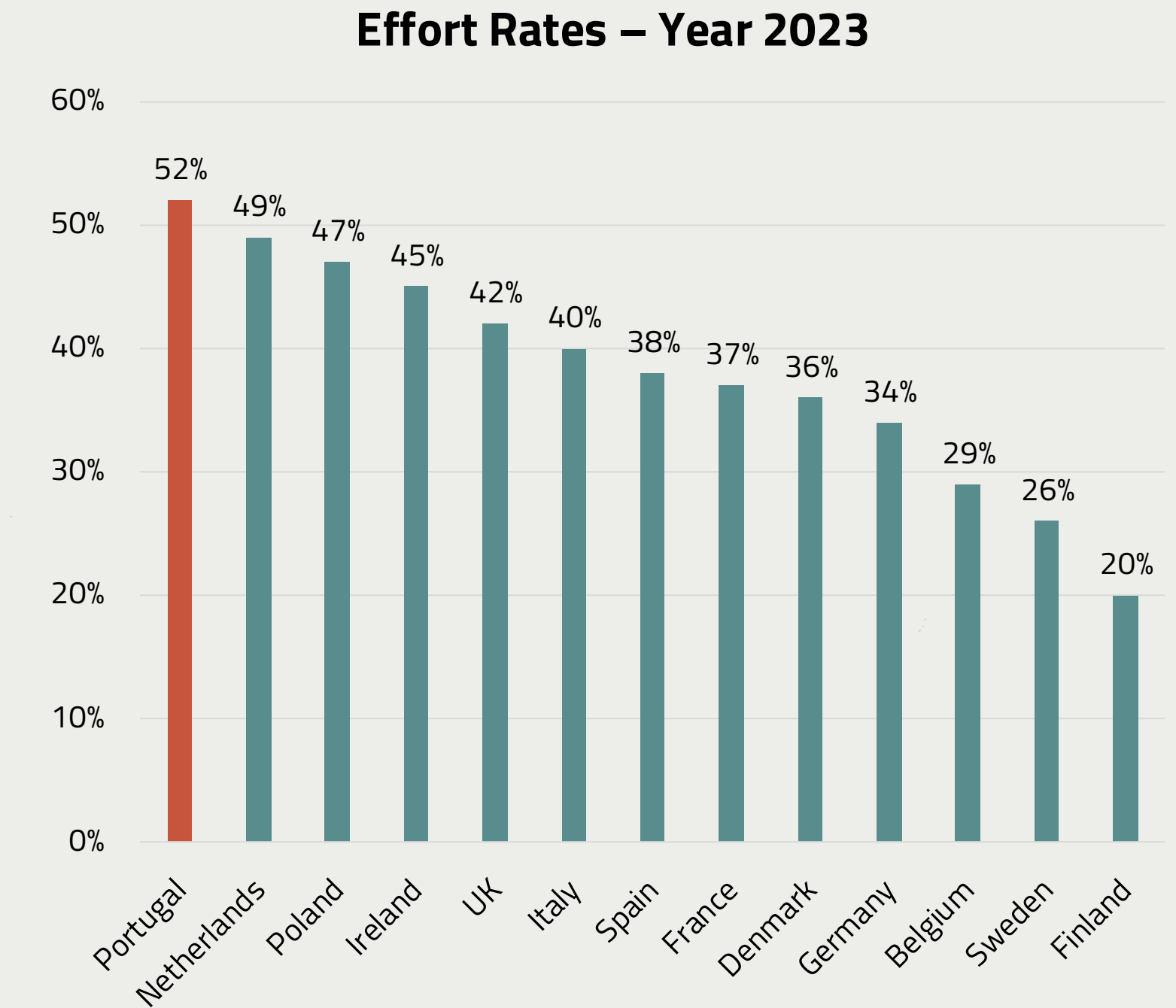
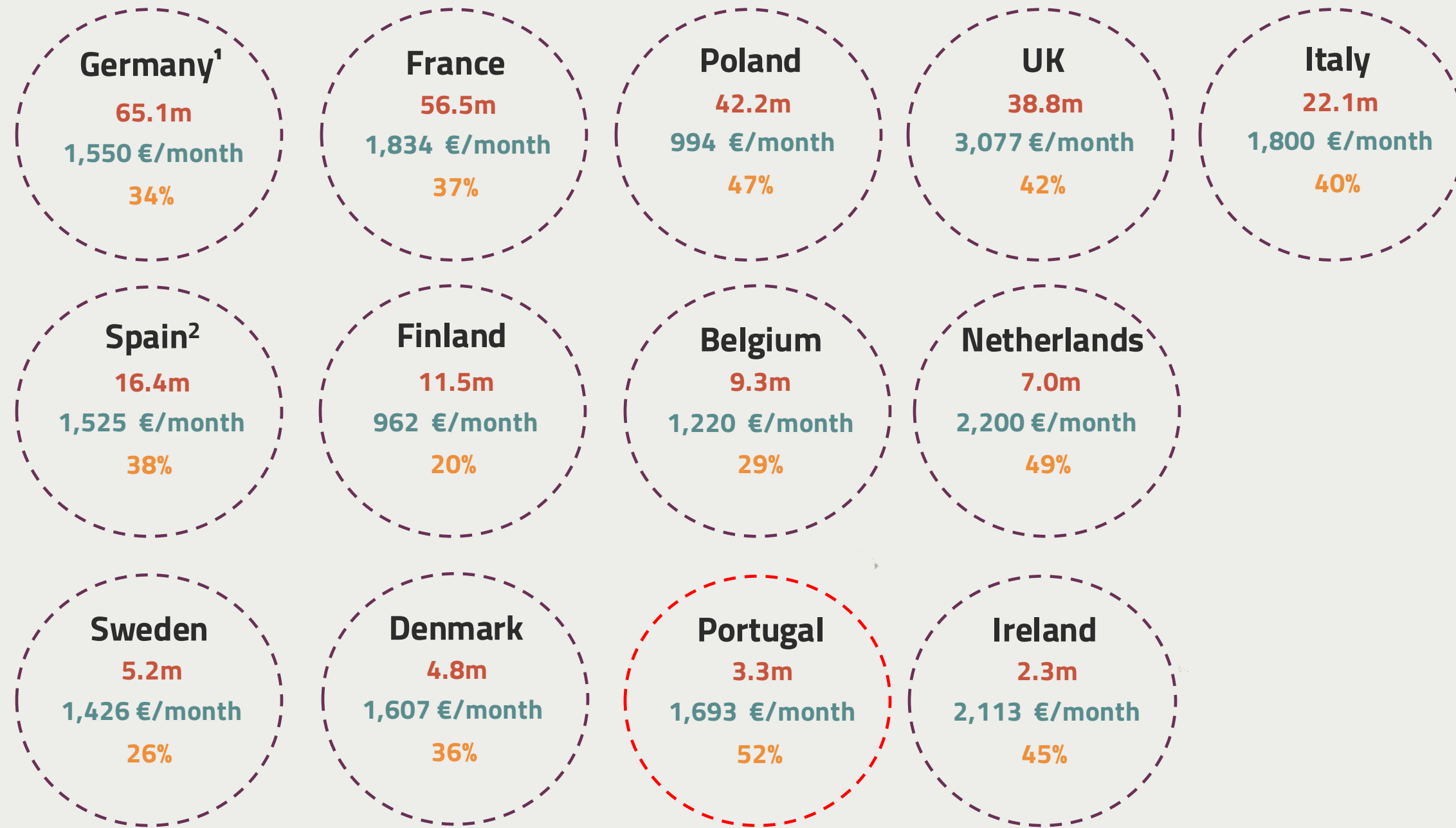
Source: INE | Savills

Between 2011 and 2023, an average of 15,000 residential units per year were built in Portugal.

**In 2023, the market was still 10% below the construction numbers reached in 2011.**

# BEHIND THE NUMBERS

High average rents are driven by a shortage of new housing supply, placing additional pressure on effort rates.

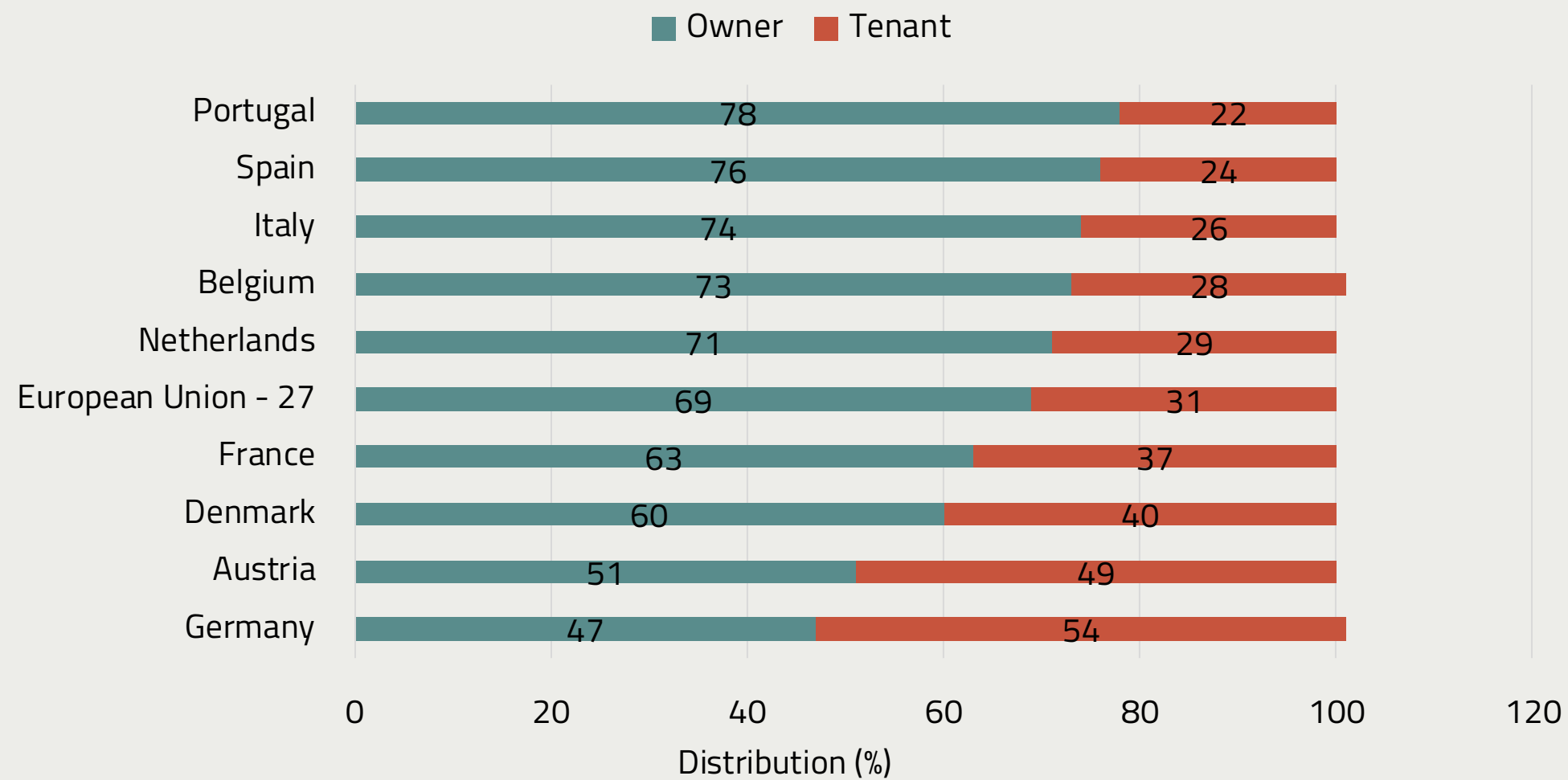


Country  
 Urban Population<sup>3</sup>  
 Average Rents (€ per month) – Capital City<sup>4</sup>  
 Effort Rate (Avg Rents / Monthly Household Disposable Income (Net) – Capital City<sup>4</sup>)

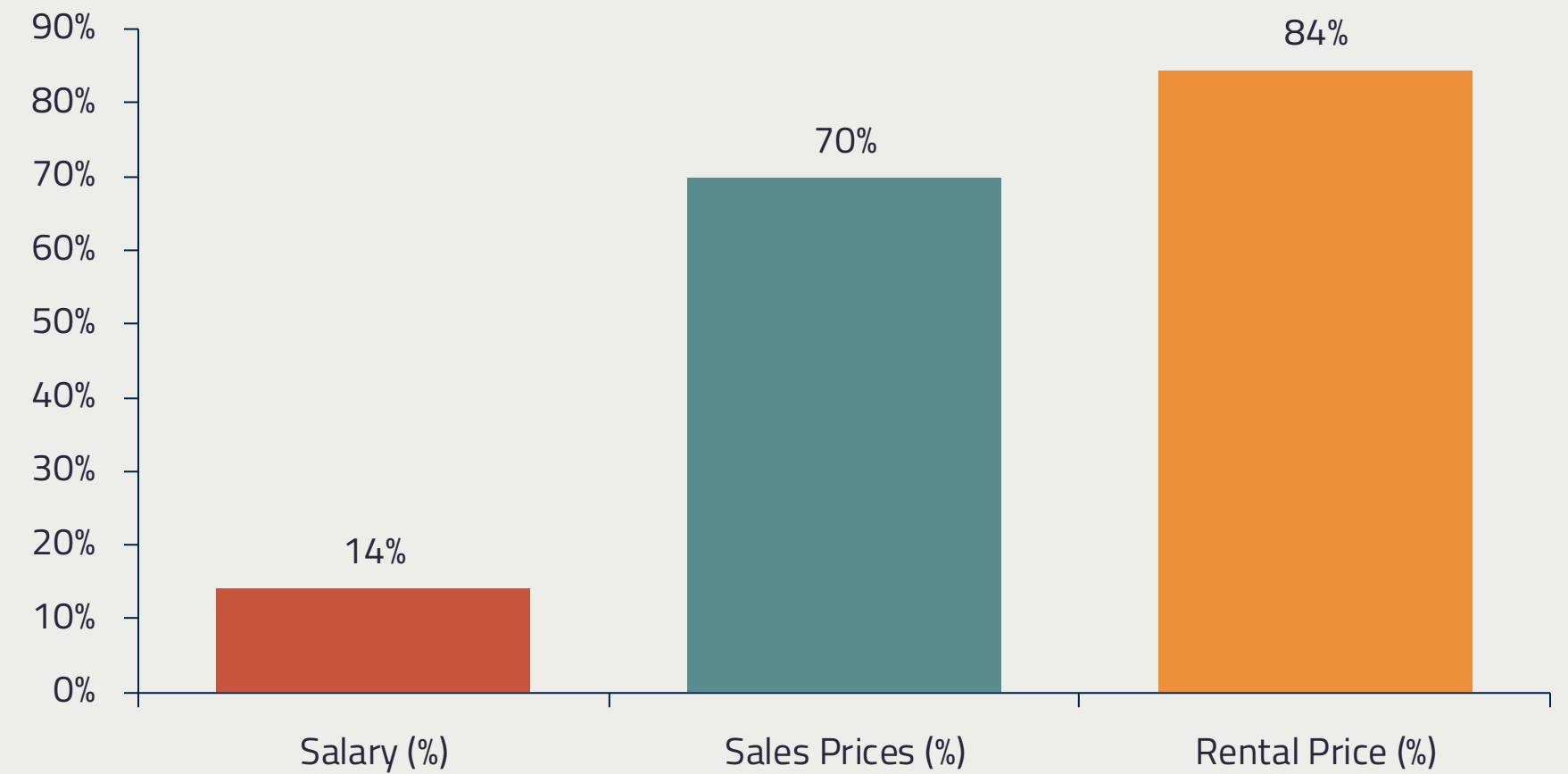
# BEHIND THE NUMBERS

Ownership mentality is still deeply ingrained, with sale and rental prices rising far above wage increases.

**Distribution of population by tenure status – Year 2022**



**2011-2021 Variation**



# Government plans and intentions to response to the shortage residential supply



**Accessible Rental Program**



**Licensing streamlined**



**“Construir Portugal” Program**



**Urban Rehabilitation**



**Financial support and tax incentives**



**Demand for public – private partnerships**

## The results achieved

- Unstable legislative framework
- Lack of guarantees and incentives
- Reduction of VAT to 6% only applied to Affordable Lease Projects and urban regeneration
- Leasing market perceived as yielding limited returns and highly protective of tenants



## What needs to be done?

- Establishment of a long-term regime pact
- Legislative framework for BTR
- Review of tax measures to design and support an effective Investment model
- End of rent cap imposition
- State-guaranteed rental support



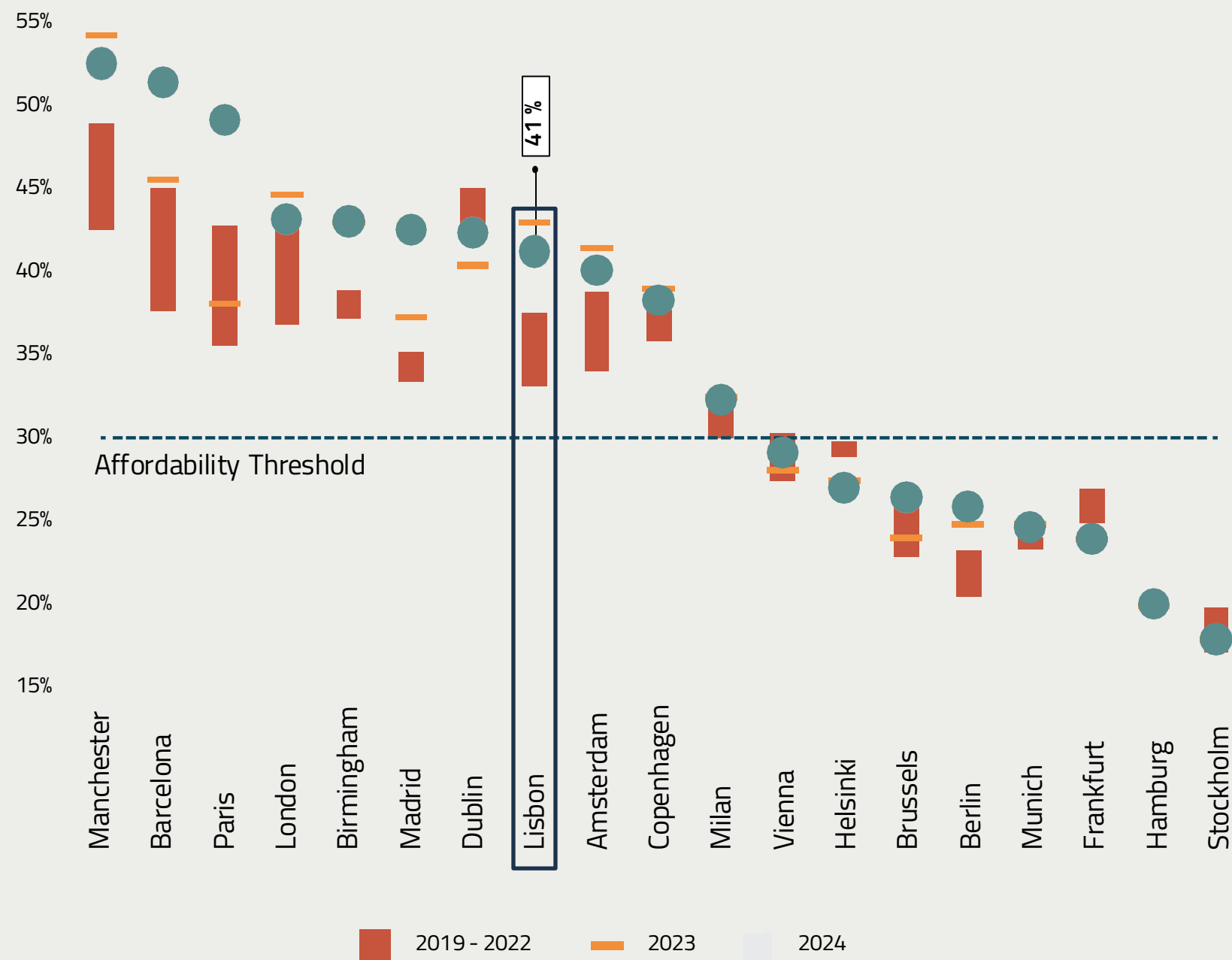
# Lisbon Living

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# STRONG HISTORIC RENTAL GROWTH AND DETERIORATING RENTAL AFFORDABILITY

Rental Affordability\*



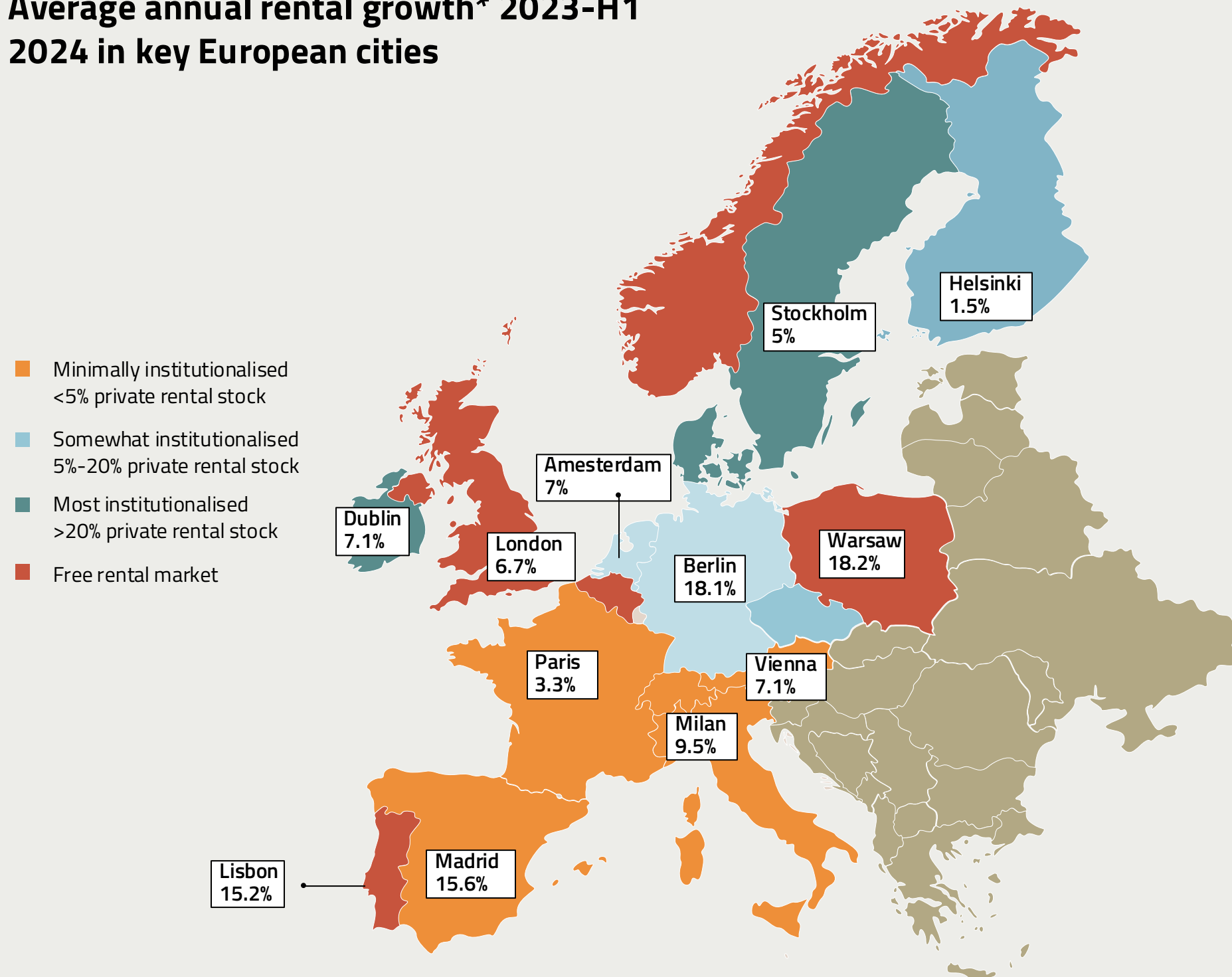
Average rents and Rental Growth



Source: JLL, Oxford Economics, \*Share of average individual disposable income spent on renting a 55 sqm apartment; excludes utilities and taxes. Markets are deemed unaffordable when rental affordability surpasses 30%.

# UNREGULATED EMERGING RENTAL MARKET

Average annual rental growth\* 2023-H1 2024 in key European cities

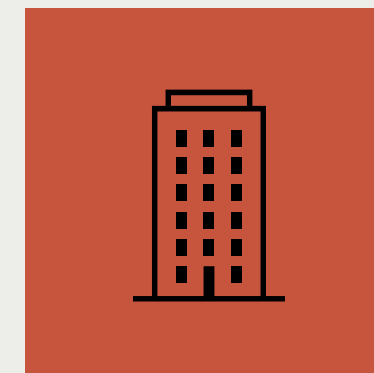
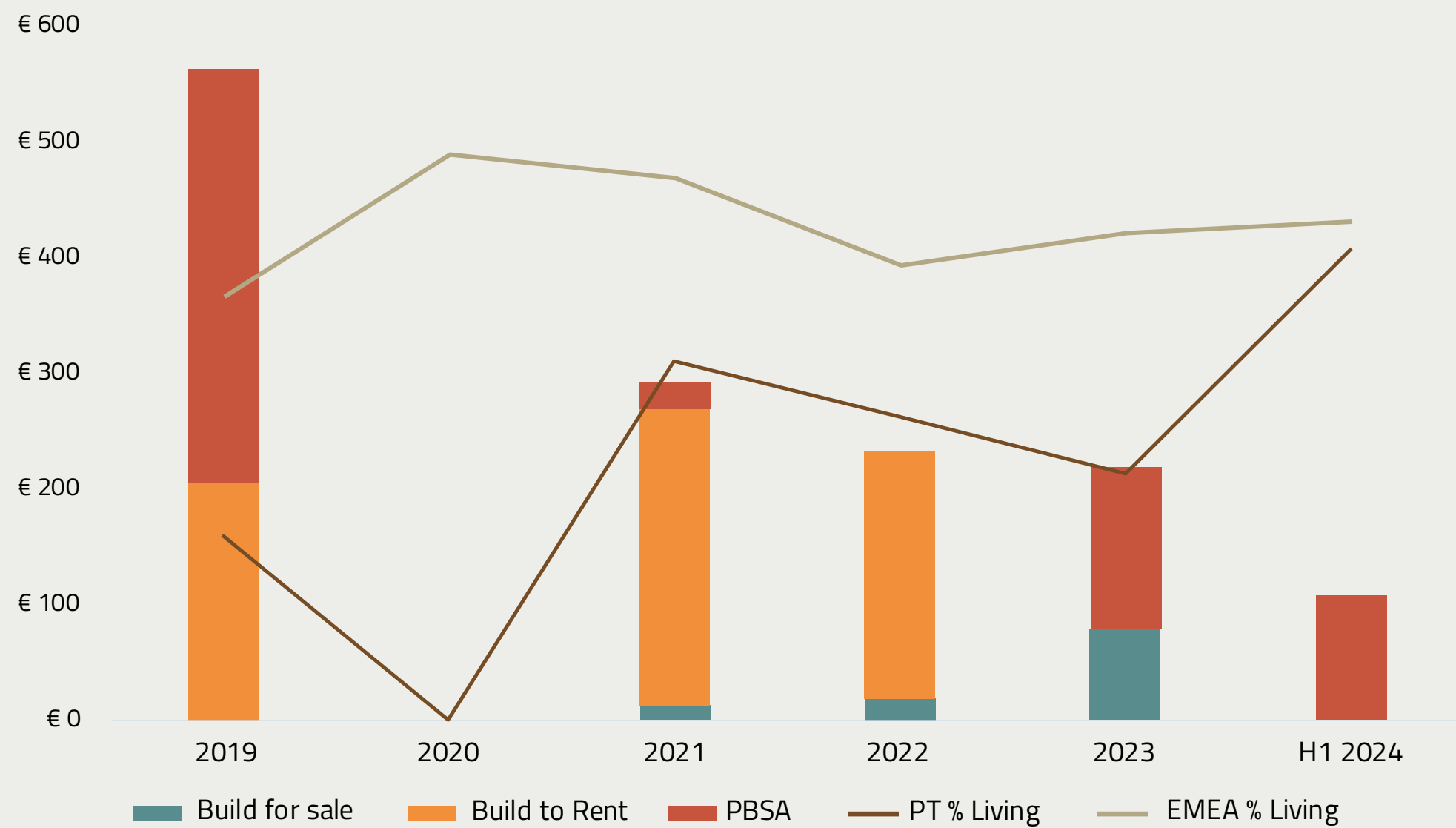


Source: JLL Research, July 2024. \*New lets

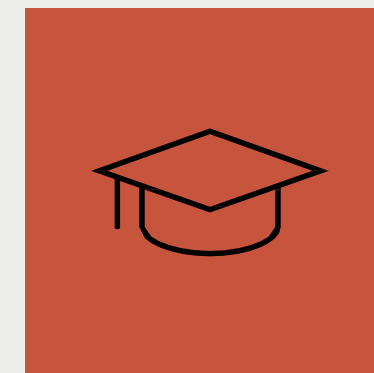
Country	% of PRS households	% of social rent households	Existing rental regulations	Upcoming rental regulation changes
<b>Portugal</b>	27%	3%	Free rent setting and free rent increases	
<b>Denmark</b>	32%	20%	Regulations for units built pre-1992. Linked to net price index	
<b>Finland</b>	25%	10%	Freen rent setting and free rent inceases	
<b>France</b>	23%	18%	Rent index in most towns/cities. Linked to IRL, reviewed annually	
<b>Germany</b>	53%	9%	Rent index (Mietspiegel) in most towns/cities for pre-2014 homes. Increase max 15%-20% in 3 years.	
<b>Ireland</b>	16%	9%	2% rent cap in rental pressure zones (RPZ)	
<b>Italy</b>	16%	4%	/	
<b>Netherlands</b>	14%	28%	Rent index in the low & mid-rent sectors. Wage growth + 0% in social, wage growth + 1% in mid-rent. Wage growth (or CPI, the lower) + 1% growth cap for free market.	
<b>Spain</b>	15%	3%	Max rents set by local authority for some cities, ie Barcelona (not in Madrid). 3% rent increase cap until end of 2024.	New rent index in 2025
<b>Sweden</b>	32%	32%	Rents and increases set by tenant association and landlord negotiation, currently c5%	
<b>UK</b>	18%	17%	Free rent setting and free rent increases in Englan, Wales and NI/ (exc. Scotland 6%-12% until 04'25.)	Scotland to adopt locally set caps for new lets & in tenancy

# MARKET LIQUIDITY DOWN DUE TO MACRO CHALLENGES

**Investment volumes and living share of investment**



**Slowdown in BTR activity**



**Uptick in PBSA**

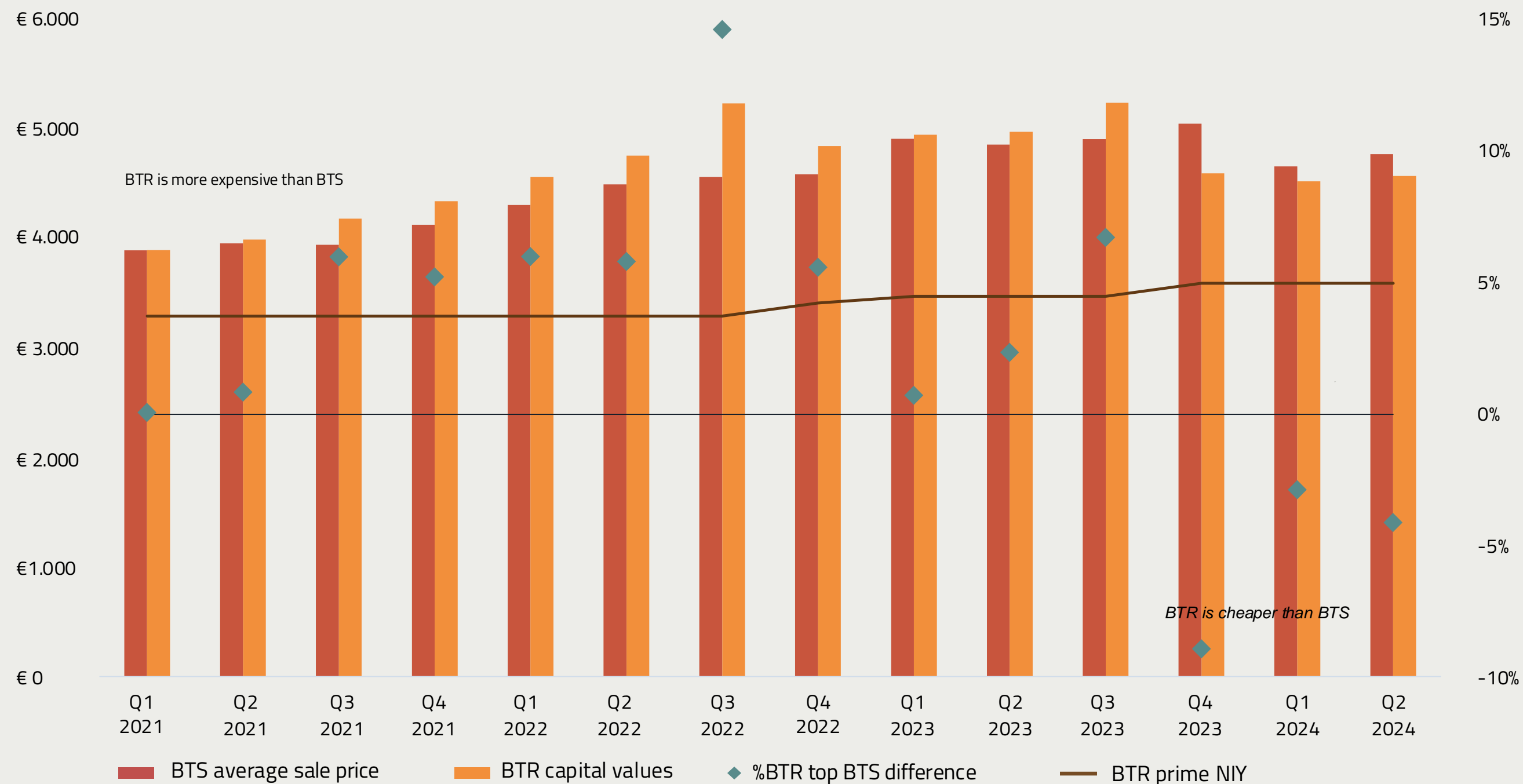


**Portuguese Living investment share catches up with Europe**

Source: JLL. Notes: Excludes deals under \$5m. EMEA % Living excludes developments and entity deals. Living includes BTR and PBSA

# BTR CAPITAL VALUES RETURN TO GROWTH

Build to rent v Build for sale capital values



Interest rate hikes led to repricing of institutional BTR product, which led to drop in BTR capital values, making them more affordable than the wider residential for sale market (on per sqm basis)

Source: JLL. Notes: BTR capital values are based on BTR prime NIYs and average residential rents.

# Thank you!

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