



SPOTLIGHT
Savills Research

Porto Residential Market Report

Savills Portugal - Edition 2019





Residential Market, on the way to maturity



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It is with great satisfaction that I write these lines, in what is our first Residential study after a few years of absence in the thorough analysis that we once did of this market. On the one hand, due to the new bet that we want to give to this area, bringing to the market the sophistication that continues to demand a growing professionalization and, on the other hand, the need to monitor the evolution that this market registers in order to provide adequate responses to the challenges that arise.

Starting by giving the market the information it deserves through the strong contribution made by our customers and partners, along with our competent research team, it will be an excellent kick-off to embrace the residential sector more effectively.

Buildings on the residential sector have been witnessing a very strong demand and, in a context of contained supply, it brought us a consequent evolution of market prices. But there is still a long way to go in the offer of adjacent services and in the advice that can and should be given to add value to anyone who wants to invest in this area or buy a house to live in.

Bringing innovative projects to the market that follow concepts that already exist in other major cities around the world such as Branded Residences, Co and Senior Living, becomes imperative in a country that has managed to make itself known worldwide and that is so unanimously desirable for those who want to settle here.

Portugal knew how to use the momentum and be agile in transforming a sector that was obsolete and lifeless. Let us now know, in a more restrained and demanding dynamic, to understand what the market really asks for, which customers seek us, and to sophisticate in the service and execution of the projects, previously understanding their potential users. But above all, that we can see the residential market mature with strategy and interconnection between the various players, combining the desirable innovation and evolution of cities, their peripheries and leisure areas with the “Portugueseness” that so much attracts foreign audiences, avoiding exacerbated imitations that distort the essence that distinguishes our country.

Portugal in Numbers

Since 2013, Portugal has witnessed a solid economic recovery and, above everything else, it has enjoyed a good image and international recognition. The solidity signs that the national economy has been showing, together with the control of public accounts, have been decisive for the confidence of international players.

2019 was another successful year of economic consolidation. Although at a slower pace than in previous years, the national economy continues to show resilience given the international uncertainty scenario.

GDP (2018)
€202 BILLION

GDP per capita (2018)
€20 K

Gross national income per capita
€17.4 K

Average disposable household income
€29.8 K

Unemployment rate (September 2019)
6.6%

Resident population (2018)
10.3 MILLION

People living alone
939 K

Couple without children
1 MILLION

Couple with children
1.4 MILLION

Family accommodations (2017)
5.9 MILLION

Number of families (2018)
4.1 MILLION

Active population (2018)
5.2 MILLION

Source Savills Research analysing INE

An internationally recognized country...

Awards and distinctions:

#42

The Global Competitiveness Report 2017-2018: Portugal ranked 42nd, especially in the areas of: Infrastructure quality; Health and Basic Education; Technological aptitude and Innovation

#29

Doing Business (2017/2018): Portugal ranks 29th in the Ease of Doing Business global index

#1

Best European Tourist Destination 2019 awarded by the World Travel Awards

#32

(126 countries) Global Innovation Index

#1

World Best Quality of Life Country for Expats

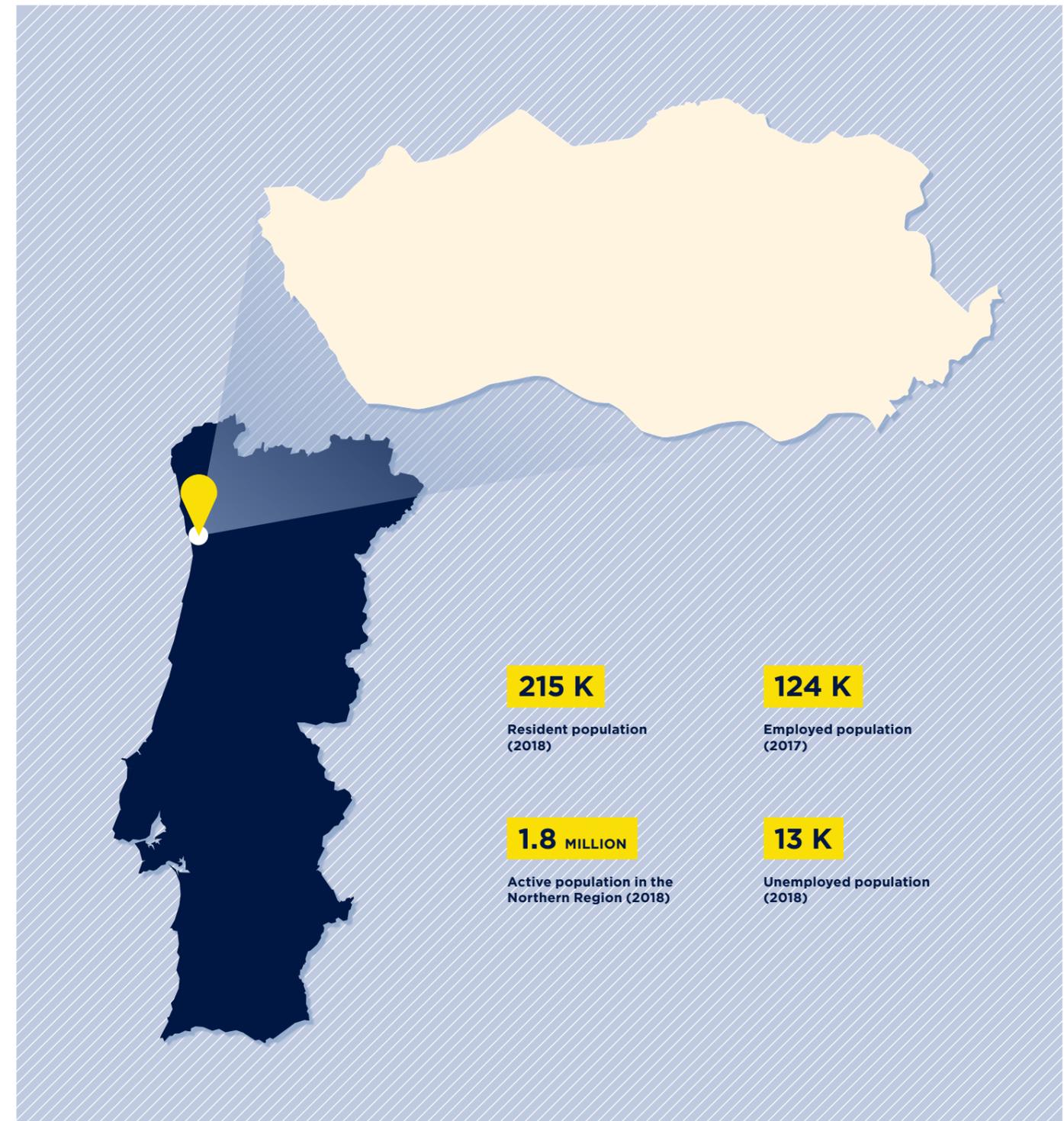
#4

#4 Global Peace Index 2018

2020 KEY POINTS

- Slowdown in national economy in 2020;
- Economy mainly sustained by the domestic demand than by the exports;
- Moderate increase in the inflation rate in the coming years;
- Resistance to negative external developments;
- Slowing household spending;
- Moderation of employment growth;
- Stabilization of the unemployment rate below 7%.

Porto



Source Savills Research analysing INE

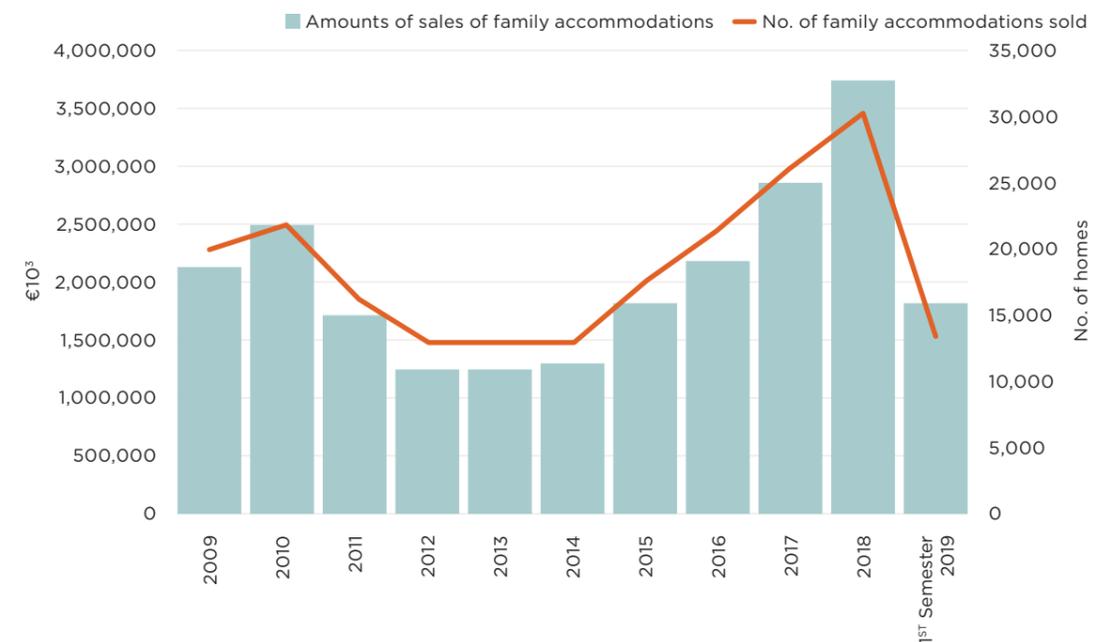


The Residential Market in Porto

The city of Porto has been living times of strong appreciation of its housing stock. While Lisbon has practically doubled its average prices between the third quarter of 2007 and the same period in 2019, the city of Porto saw the variation reach 67%, a figure that increases to 83% in the case of new units and 57% in the case of used units, which reveals a clear recovery and overcoming of pre-crisis prices.

Currently, the city has more affordable prices than those charged in the Portuguese capital, and is not expected to exceed them, although the trend is towards an approximation that fulfils part of the 40% gap that separates the average prices of the two main Portuguese cities.

Amounts and Number of Homes Sold in Porto Metropolitan Area



Source Savills Research analysing INE

1ST semester 2019



Source Savills Research analysing INE

AWARDS AND DISTINCTIONS FOR PORTO / NORTHERN REGION

- The best adventure tourism (2019)
- The best European innovative tourism development project (2019)
- The best lifestyle development (2019)
- City with the 3rd largest technological growth in Europe (2018)
- The best startup-friendly city of Europe (2018)
- The best European destination (2012, 2014 and 2017)
- The 3rd best city to invest in southwestern Europe (2014/15)

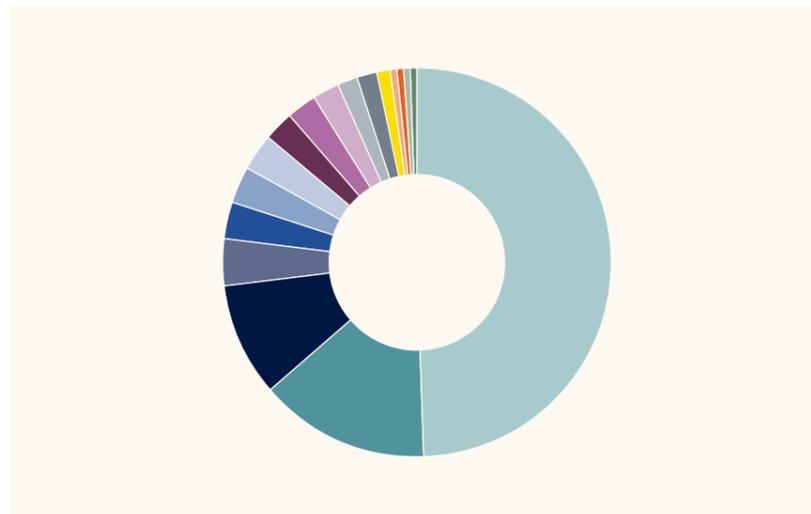


Porto Metropolitan Area (Porto MA)

As is the case of the LMA, about half of the total number of units under licensing in the period under analysis belongs to the city of Porto, followed by Vila Nova de Gaia and Santa Maria da Feira (to the south), Matosinhos and Vila do Conde (to the north).

The Porto MA is served by a transport network that makes it easy to move around with several road and rail alternatives. It also includes a tapered metro network that extends to several municipalities surrounding Porto, which allows citizens to easily reach the centre of Porto and from there to the rest of the city.

Distribution of Units Planned per Municipality in Porto MA



Porto Vila Nova de Gaia Matosinhos Santa Maria da Feira Vila do Conde
 Póvoa de Varzim Gondomar Valongo Maia Espinho Santo Tirso
 Oliveira de Azeméis Paredes Vale de Cambra Arouca
 São João da Madeira Trofa

Source Savills Research analysing Pipeline Imobiliário

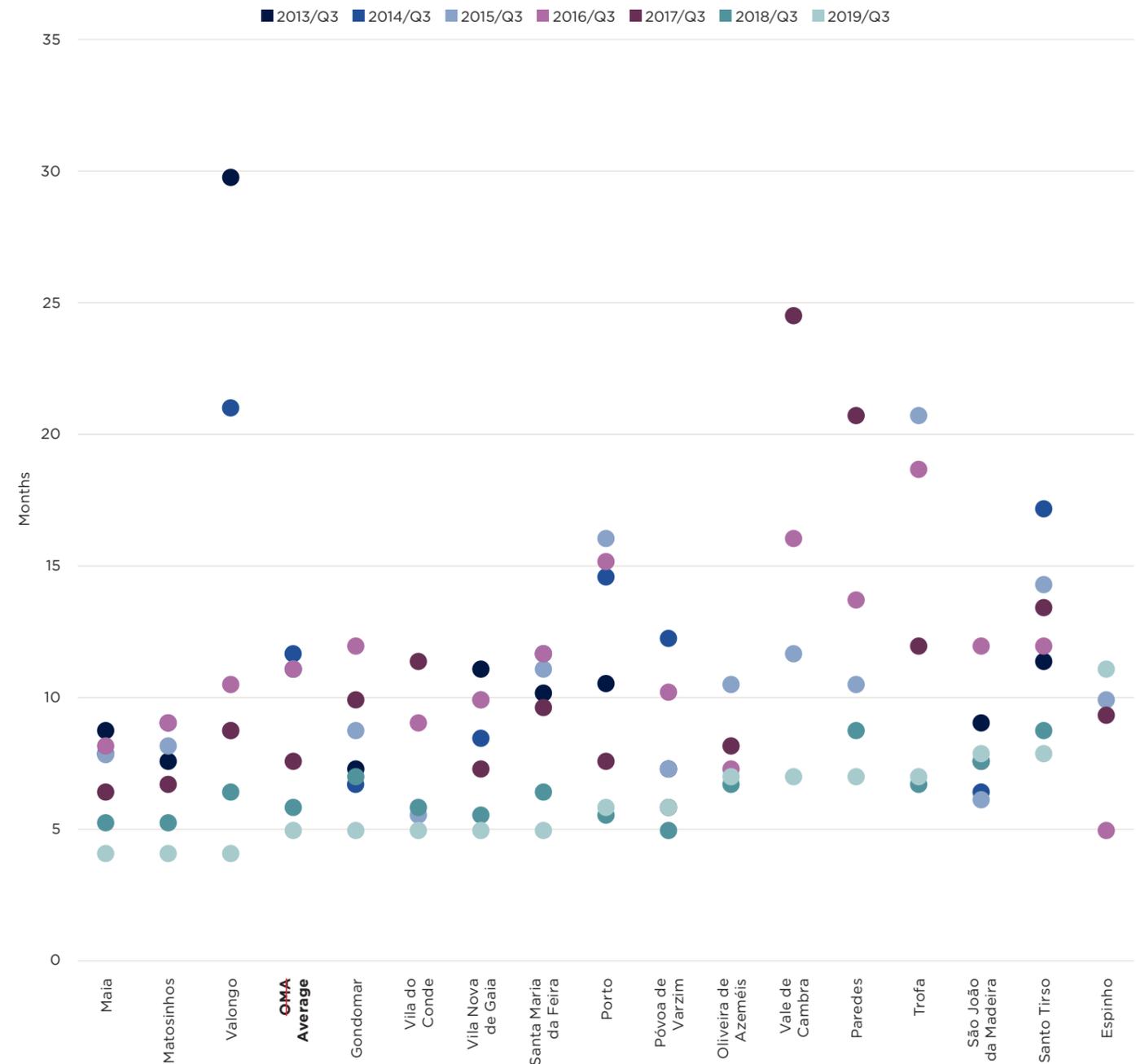
The ease of transport (especially the metro lines) benefited the closest municipalities and made them real alternatives to living within the limits of the municipality of Porto.

The municipality of Maia and Matosinhos lead the Porto MA municipalities in which the available units are absorbed more quickly, followed by Valongo that from the crisis peak

to the present day recorded the greatest decrease in the absorption time of the entire Porto MA. We also know that in these municipalities the demand for new units is very high, with special emphasis on the appearance of projects in Maia, which is outside the city centre and to the south of Matosinhos.

Average Absorption Time of Units

in the Market in the Municipalities of Porto MA



Source Savills Research analysing SIR



Asset Deal

Legal Steps, Mandatory Documents and Costs

1st STEP

IDENTIFY AND CHOOSE A PROPERTY

Asset Concluded
Asset off-plan (future asset)

2nd STEP

COMPLIANCE

Prior to sign a Promissory Purchase and Sale Agreement, an Anti-Money Laundering check will take place in order to fulfil the AML legal obligations.

3rd STEP

PROMISSORY PURCHASE AND SALE AGREEMENT

This agreement clearly identifies both parties, buyer and seller, the property to be transferred, the exact price and payment terms (usually the purchaser pays a down payment at the moment of signature of this agreement), as well as the obligations, warranties, and remedies for eventual defaults, as well as the date of the execution of the final sales contract. By law, the general rule is that in the event of default by promissory purchaser, the promissory seller is entitled to keep the down payment received; in case of default of the promissory seller, the promissory purchaser is entitled to receive twice the amount paid as down payment. In the event of default, the parties may alternatively agree to subject the promissory agreement to specific performance, namely, by obtaining legal ruling in lieu of the defaulting party's negotiating statement.

4th STEP

PURCHASE

The transfer of property takes place through a notary deed of purchase and sale or a final contract of purchase. The ownership will be enforceable against third parties upon registration of the acquisition in the land registry office. The purchase must be registered in the Land Registry Office as well as at the Finance Department.

DOCUMENTS:

- Identification of the Sellers and the Buyers;
- Land Registry Certificate (Certidão de Registo Predial)
- Certificate concerning the property from the Finance Department (Certidão de Teor Matricial);
- Use permit (except for buildings built before 7 August 1951)
- Energy Certificate
- Residential technical file (except for the properties built before 7th August 1951 and for the ones built between that date and 30th March 2004 which have permit of use)
- Declaration for the payment of the property transfer tax (IMT) and Proof of payment of the applicable property transfer taxes

DUE DILIGENCE:

Purchasers, either directly or through the services of consultants depending on the respective professional areas, are advised to verify the commercial, urban planning, environmental and fiscal status of the property, as well as through lawyers the legal situation of the properties and to draft the contractual clauses.

COSTS

Transaction Costs:

Legal Fees	Not related with the purchase price
Notary	Vary according with the complexity and purchase price
Registration Fees	€250 (€500 if the acquisition is financed and secured by a mortgage)

Property Transfer Tax (IMT):

Property Transfer Tax (IMT) is a municipal tax levied on the transfer for consideration of real estate located in the Portuguese territory. The taxable value is levied on the property price or on the property tax value, whichever is higher.

Rates:

- Rural property: 5%
- Urban property ^{1),2)}: 0% - 6.5%
- If the acquirer is a tax resident in an offshore area (except individuals): 10%
- OE2020 Acquisition of property for permanent place of residence with property tax value (VPT) over € 1,000,000: 7.5%

Stamp Duty: 8%

1) Urban property or autonomous units of an urban property exclusively intended to permanent residence:

Value (€)	Marginal	Medium (in the upper limit of the scale)
Up to 92,407	0	
> 92,407 until 126,403	2	0.5379
> 126,403 until 172,348	5	17.274
> 172,348 until 287,213	7	38.361
> 287,213 until 574,323	8	-
> 574,323	6% (single rate)	
OE2020: over 1M€	7.5% (single rate)	

2) Urban property or autonomous units of an urban property exclusively intended to be non-permanent residence:

Value (€)	Marginal	Medium (in the upper limit of the scale)
Up to 92,407	1	1
> 92,407 until 126,403	2	0.5379
> 126,403 until 172,348	5	17.274
> 172,348 until 287,213	7	38.361
> 287,213 until 550,836	8	-
> 550,836	6% (single rate)	
OE2020: over 1M€	7.5% (single rate)	

Owning Costs:

Property insurance
 Contents insurance
 Condominium Costs: typically €0.5/sq m - €4/sq m

Municipal Tax (IMI):

Municipal Tax is computed on the property tax value (VPT) of urban and rural properties. The VPT is determined by means of valuation, based on the type of property.

- Urban property: 3% - 4.5%
- Rural property: 8%
- Property owned by entities located in tax havens (excepting natural persons): 7.5%

These rates are annually increase to three times their amount in the case of urban property that has been vacant for more than one year or buildings in ruins. To the properties partially vacant constituted in horizontal proprietorship the increase applies on the VPT respecting to the vacant parts. To the urban property or autonomous fraction vacant for more than two years located in urban pressure areas, the applicable tax is increased in six times, and increased in more 10% in each following year with the limit of twelve times the tax applicable to urban property. *OE2020: it is expected that this increase will also apply to land for construction located in urban pressure areas qualified as fit for construction by the municipal territorial plans*

Additional IMI (AIMI):

AIMI taxable basis corresponds to the sum of the property tax value (VPT) of all the urban properties held by each taxpayer, reported as at 1 January of each year.

- Individual and undivided inheritances ¹⁾: 7%
- Corporations ²⁾: 4%
- Urban properties owned by entities in tax havens: 7.5%

1) In case of individuals, (i) to the taxable amount higher than € 1,000,000 and equal or lower than € 2,000,000 (or the double for married or living in non-marital) a marginal rate of 1% applies, and (ii) to the taxable amount that exceeds € 2,000,000 (or the double for married or living in non-marital), a marginal rate of 1.5% applies.

2) In the case of urban properties owned by corporations, for the personal use of the shareholders, members of the board or of any administrative bodies, management or supervision, are applicable the rates considered for individuals.



Savills Research

We're a dedicated team with an unrivalled reputation for producing well-informed and accurate analysis, research and commentary across all sectors of the Portugal property market.

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