

# Portuguese Investment Property Survey



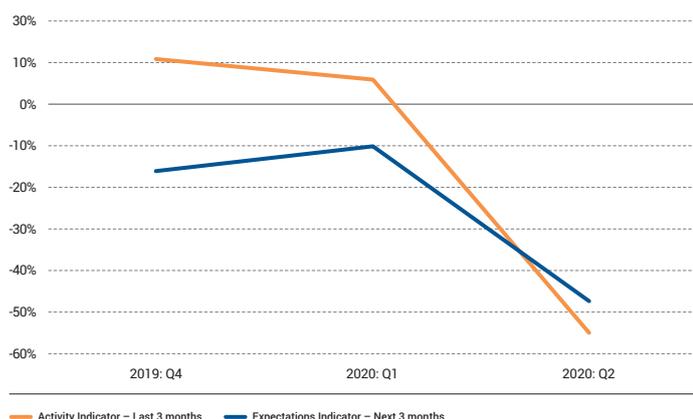
SUPPORT:



## COVID-19 HASN'T STOPPED ONGOING DEVELOPMENTS 6% VAT AND GOLDEN VISAS SEEN AS ESSENTIAL MEASURES

- Developers expect prices and sales to drop over the next 12 months
- New projects will be placed on hold, but ongoing development will continue
- Operators advocate tax and legal measures to stimulate market recovery
- Economic outlook is now developers' top concern

SENTIMENT AND EXPECTATIONS INDICATORS  
NET BALANCES



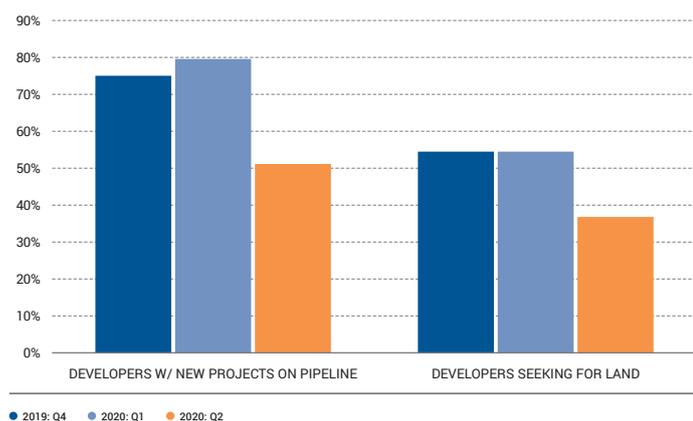
Focusing on the Q1 2020, the first period to reflect the impact from the pandemic, surveyors stated that both sales and prices suffered negative effects. Nonetheless, they consider transactions were the hardest hit, with the sentiment indicator reaching -83 points, a significant drop from the -8 points recorded in the previous quarter. Regarding prices, the sentiment indicator now stands at -26 points, moving into negative territory for the first time (+36 points in the two previous surveys).

That said, the global market sentiment index, which combines the price and demand sentiments, is now unsurprisingly -54 points, strongly decreasing from the +14 points recorded in the previous quarter.

A similar trend is expected for the next 3 months. For the first full quarter affected by the pandemic, operators anticipate new drops both in prices and transactions. Therefore, the global market expectations index, which reflects prospects both for prices and transactions, also fell sharply for Q2 2020, going from -4 points to -54 points.

In the same line, on a 12 months perspective, prices are expected to drop around 8,4% and transactions to decline 15,7%. In the previous quarter, forecasts signalled a stabilization of both indicators.

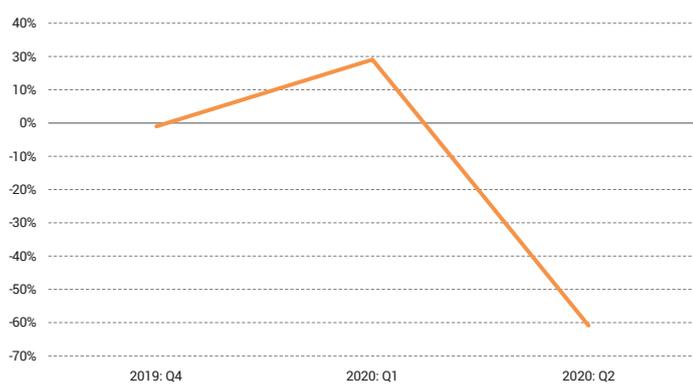
**DEVELOPERS' ACTIVITY**  
% OF THE RESPONDENTS



Considering this scenario, developers are more cautious about launching new investments and are reluctant to seek new opportunities. In fact, 63% of those surveyed now indicate that their demand for new development land is extremely restrained, if not non-existent, compared with the 55% that were actively seeking opportunities in Q1 2020. Furthermore, the number of investors who claimed they had new projects in the pipeline dropped from 79% to 51%.

However, this segment's profile has not shifted. Lisbon (57%) and the surrounding area (26%) continue to draw developers' attention, like in the previous quarter. New-build projects also remain dominant (65% of projects), although losing some ground compared with the 71% share in Q1 2020. As for demand, the targets of the projects are becoming more balanced, almost equally divided between those strictly directed at international buyers, projects intended for domestic buyers and others that target both publics – shares of around 33% each.

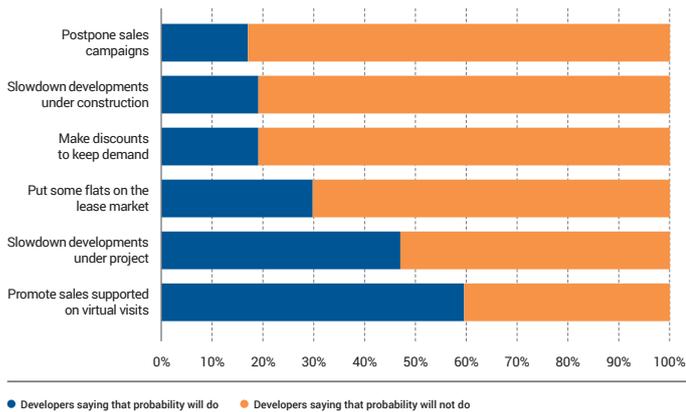
**PRE SALES DYNAMIC (HOUSING)**  
NET BALANCE INDEX



Still in terms of investment prospects, despite the stabilization of project profiles and targets, the sentiment regarding the pre-sales dynamic has been strongly hit during this period, with the net balance index going from +28 points to -60 points. This is not surprising, given the declining sentiment and expectations for transactions.

Prospects for the residential rental market have improved, with 69% of respondents considering this an attractive or very attractive market, compared with a 48% share in the previous quarter.

**DEVELOPERS' STRATEGIES FACING COVID-19**  
% OF DEVELOPERS THAT WILL/NOT WILL IMPLEMENT

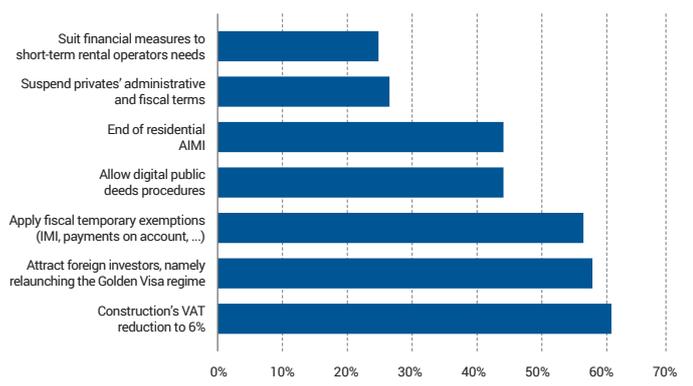


When asked specifically about the impact of Covid-19, operators showed great resilience in the current situation. In fact, they claim there are no plans to slow down developments under construction (with only a 21% probability), or to provide discounts to maintain demand (only 31% probability). Instead, other proactive strategies are being implemented, such as driving sales with the aid of virtual visits (59% probability), but also slowing down developments that are currently still in the project phase (an option with 43% probability).

**SURVEY PANEL MEMBERS:**

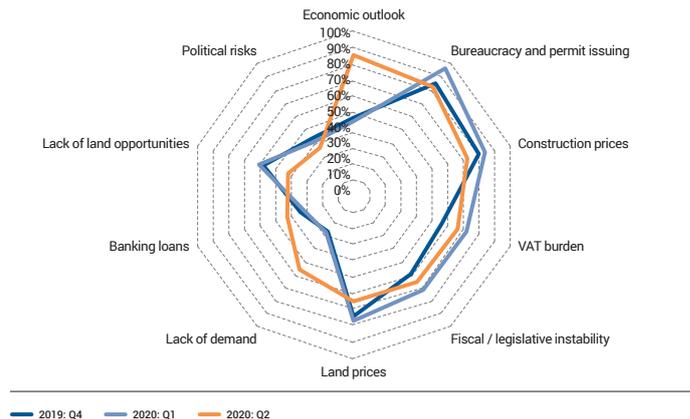
						<p><b>IF YOU'RE A DEVELOPER OR INVESTOR, JOIN THE PANEL.</b></p>						

**COVID-19 IMPACT – MEASURES TO BOOST THE MARKET**  
IMPORTANCE GRADE (0 TO 100%)



Focusing on public measures to promote the market's recovery, players stress the importance of adopting new tax measures and reviewing the legal amendments foreseen in programs to attract foreign investors. Reducing VAT on construction to 6% is considered the most important measure for the sector. In second place, according to the developers surveyed, it is also crucial that the Golden Visa program be re-launched, thus maintaining the inflow of international demand. Other measures, like the application of temporary tax exemptions or enabling digital public deed procedures, are also considered fundamental during this period.

**MAIN OBSTACLES TO ACTIVITY**  
INDEX OF IMPORTANCE (0 TO 100%)



In conclusion, the economic outlook is now seen as the primary obstacle for the sector (pressure index of 85%), clearly increasing in comparison with the 45% index registered in the previous quarter. Bureaucracy, namely in the licensing process, remains the second key restriction, with an 82% index. On a positive note, developers consider the absence of political risks in Portugal a factor that helps drive market momentum.

**METHODOLOGICAL NOTE**

The Portuguese Investment Property Survey is a sentiment survey carried out by Confidencial Imobiliário on a panel of the most relevant real estate developers and investors, with a particular emphasis on APPII's associates.

This is a quarterly operation, which generates indicators calculated by subtracting negative from positive responses, as well other qualitative indicators.

The survey's goal is to analyse the sentiment and perception of the developers and investors in order to anticipate the market cycle which will reflect on all other real estate operators.

If you are a real estate developer or investor, join the panel. Send an email with your contact details to [gestao@confidencialimobiliario.com](mailto:gestao@confidencialimobiliario.com).

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