



PORTUGAL REAL ESTATE MARKET OUTLOOK

Will Portugal Still be Popular with
Chinese and Hong Kong Investors in 2022?



KEY FINDINGS:

1.

Top reasons Chinese and Hong Kong buyers have for looking for real estate opportunities in Portugal include Portugal's welcoming of international investment, the country's competitive tax system, protective regulations through schemes such as the Golden Visa programme, and good quality of life and safety.

2.

The most popular city in Portugal amongst Chinese and Hong Kong buyers is Lisbon due to its good transport links, high living standards and world-class amenities; prices typically range from €500,000 to €1,500,000. Porto and the Algarve closely follow as second and third most popular cities for property investment amongst Chinese and Hong Kong buyers.

3.

Buyers from China and Hong Kong accounted for over 75% of all applications for the Golden Visa programme prior to the pandemic and Brexit.

4.

Despite the upcoming changes in the Golden Visa programme, Portugal will remain a sound investment choice for Chinese and Hong Kong investors, due to competitive real estate value compared with other European countries, affordable cost of living, warm climate, and appeal as a tourism hotspot.

5.

When looking to buy a residential property in Portugal, it is advisable to employ a reputable lawyer; work directly with the developer to progress a purchase if hoping to complete before changes to the Golden Visa programme are implemented; find a local expert that can provide guidance and show the best areas and properties available; and conduct due diligence on properties, developers and agents.

November 2021 (London) – Portugal real estate has become increasingly popular among Chinese and Hong Kong high-net-worth-individuals (HNWIs) and investors in recent years, thanks to the country’s competitive tax system, their welcoming international investments, protective regulations with schemes such as the Golden Visa programme, and the high quality of life residents enjoy.

Arguably the hottest market in Europe, Portugal was the top destination for Chinese and Hong Kong investors in 2020, when inquiries surged 176% in the first nine months of the year (according to Juwai IQI, a privately held real estate sales and media company). Its capital city, Lisbon, ranks highest in a list of the most attractive cities to invest in, according to PricewaterhouseCoopers’ study, ‘Emerging Trends in Europe in 2019’.

It is estimated that buyers from China and Hong Kong accounted for over 75% of all applications for the Golden Visa programme prior to the pandemic and Brexit, according to Alex Koch de Gooreynd, Partner, Head of Portugal Sales, Knight Frank.

Changes to Portugal’s Golden Visa programme will apply from 1 January 2022, meaning that some parts of the country will no longer be eligible for investment under the scheme; however, the purchase of real estate for residential purposes – of at least €500,000 – will be still be eligible under the programme in the Azores, Madeira, or inland (including some areas within the Algarve & Alentejo).

The purchase and rehabilitation of real estate for residential purposes – of at least €350,000 – will only be allowed under the scheme in Azores, Madeira, or inland (including some areas within Algarve & Alentejo).

Will Portugal continue to be a top investment destination for Chinese and Hong Kong buyers in 2022 despite these changes? How will the trend evolve? Will there be new opportunities and challenges, and what will they be?

For this 11K Consulting Thought Leadership Article, 10 respected experts in Asia and Europe were asked to offer their unique first-hand insights into how and whether the trend of Chinese and Hong Kong buyers investing in Portugal will evolve in the next 12 months.

High-profile interviewees include:

Sean Gaskell
Reward Properties

Alex Koch de Gooreynd, Partner,
Knight Frank

Ricardo Garcia,
Savills Portugal

Thomas Balashev,
Montague Real Estate

Yat Wan Yeung,
Henley & Partners

Christopher Kirby-Higgs,
Coldwell Banker Portugal

Parikshat Chawla,
Leading Real Estate Companies of the World

Chitra Stern,
United Lisbon International School

Bruce Lee,
Sunew Immigration Consultancy

Nuno Durão,
Fine & Country Portugal

QUESTION ONE

What have the main drivers been for Chinese and Hong Kong investors buying residential properties in Portugal over the past few years?

There are a variety of reasons why Portugal continues to be a popular investment destination for Chinese and Hong Kong buyers.

Sean Gaskell, Director, Reward Properties, pointed out that Portugal has a good reputation for welcoming international investment. Tax initiatives such as the Golden Visa programme have ensured that real estate in Portugal has remained an exciting opportunity and key focus for Chinese and Hong Kong buyers. He also explained how the country's transformation into a tech hotspot is drawing in global talent and, in turn, investment from overseas.

“After years of structural changes to the Portuguese economy, it is thriving with major investment into infrastructure helping to establish Portugal as a business-friendly country. Lisbon is also fast becoming the city of choice for global businesses, and many have made hubs like Parque de Nações their home in recent years, including Microsoft, Huawei, Mercedes-Benz IO and BNP Paribas. Alongside these international powerhouses, Lisbon's growing start-up scene is putting it on the map as an emerging tech hotspot, which is also helping to draw in talent from across the world, including from China and Hong Kong,”

said Gaskell.

Alex Koch de Gooreynd, Partner, Head of Portugal Sales, Knight Frank, added that the competitive tax system as well as the protective regulations available with schemes such as the Golden Visa programme, have been reasons for buyers from China and Hong Kong to invest in the Portuguese market. This is demonstrated in statistics: “Buyers from these markets accounted for over 75% of all applications for the Golden Visa scheme prior to the pandemic and Brexit. This scheme, alongside attractive real estate prices and a stable country with excellent transport links and growing economy overall, [makes] Portugal an attractive investment market,” de Gooreynd added.

Thomas Balashev, Managing Director, Montague Real Estate, highlighted lifestyle choice as a strong incentive for investment in Portugal's real estate by Chinese and Hong Kong buyers. Portugal offers especially attractive investment opportunities; real estate prices are low, meaning residents can afford a good quality of life. Balashev said that besides the Golden Visa Scheme, the Non-Habitual Resident Scheme offers attractive citizenship benefits (holders are exempt from paying income tax for 10 years) for foreign buyers.

He added: “Lisbon's high quality of life is also a huge attraction to Chinese and Hong Kong buyers, alongside its growing economy.”

Yat Wan Yeung, Senior Client Advisor, Henley & Partners, agreed with the other interviewees, arguing that the vibrant cultural scenes of Portugal, and the good quality of life the country offers residents, as well as its open attitude to business and innovation, have been key drivers for international investment in the country's real estate.

Chitra Stern, Co-Founder, United Lisbon International School, provided an education-focused perspective; she said that the United Lisbon International School has seen an increase of 85% in intake of Chinese and Hong Kong students over the last academic year, suggesting many Chinese and Hong Kong families are moving to Portugal. "They choose United School Lisbon because we were the first international school in central Lisbon, with unmatched facilities, and space, and the opportunity to learn in a progressive teaching environment with over 30 nationalities represented."

Access to good education is a driver for Chinese and Hong Kong buyers. Stern explained why parents are drawn to the school: "Technology and entrepreneurship are strong pillars of the school [ethos], and sports too – all of which are important for our Chinese and Hong Kong students and parents. Hong Kong parents and children are especially attracted to fencing and rugby as extra-curricular activities."

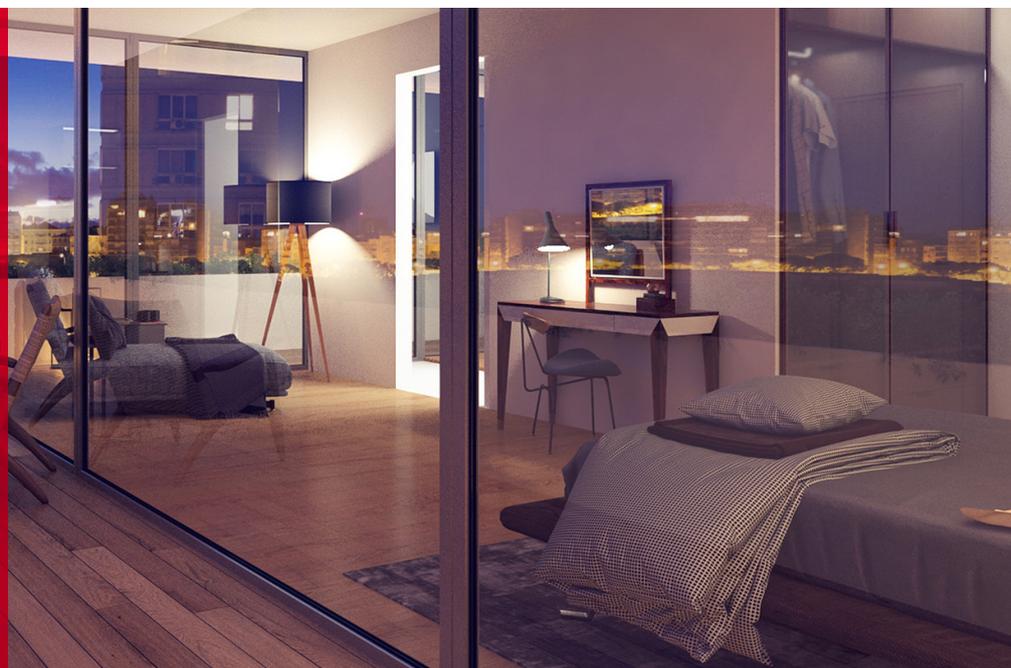
Christopher Kirby-Higgs, a real estate and lifestyle specialist for Coldwell Banker Portugal, said that the leading drivers for Chinese and Hong Kong buyers investing in real estate opportunities in Portugal include Portugal's welcoming of international investment, the country's competitive tax system, protective regulations through schemes such as the Golden Visa and Non Habitual Residence programmes, good quality of life and safety of the country. Portugal is rated as the third safest country in the world after Iceland and New Zealand, according to the Global Peace Index. Kirby-Higgs added that Portugal is still at the forefront of investment in new technologies and the green economy, having attracted a dozen investment projects, with foreign capital valued at US\$75 million, in 2019.

Parikshat Chawla, Director and Global Head of Development Marketing, Leading Real Estate Companies of the World, argued that location is the top driver in real estate investment from the Chinese and Hong Kong buyers.

"Portugal enjoys an enviable location in Western Europe and is right next to Spain. It is easily accessible from most global cities and a quick flight away from most European locations. Secondly, the weather is mostly on the warm side throughout the country, albeit with some regional differences – one can even expect snow in certain areas such as the Serra da Estrela region. Portugal offers an enticing mix of mostly Mediterranean weather coupled with some pleasant surprises for the cold-seekers."

"Portugal – in particular its capital, Lisbon – is one of the most attractive countries to invest in."

Thomas Balashev, Managing Director, Montague Real Estate





QUESTION TWO

Which Portuguese cities are Chinese and Hong Kong buyers investing in, and what kinds of properties are most appealing to them?

Chawla suggested that location is important over any other considerations for Chinese and Hong Kong buyers. In Portugal specifically, they prefer prime residential properties in Lisbon due to the city's good transport links, cultural life and high-quality amenities; these typically range from €500,000 to €1,500,000. Porto and the Algarve closely follow as second and third most popular Portuguese cities for property investment amongst Chinese and Hong Kong buyers.

Sean Gaskell, Director, Reward Properties, agreed with Chawla that for many Chinese and Hong Kong buyers, in particular those using the Golden Visa scheme, location is key over any other considerations. The desire for a home that is easy to upkeep, high quality features and amenities means the focus is on new build properties rather than period or resale homes, with typical entry-level prices at around €500,000.

“In Lisbon, Hong Kong and Chinese buyers look to well-established, prime central residential neighbourhoods, which not only provide peace of mind on the investment, but also excellent connectivity and lifestyle amenities. For example, our LX Living project, which is located in the desirable neighbourhood of Amoreiras, has seen demand from these buyers due to its prestigious address and ease of access and proximity to downtown Lisbon.”

Ricardo Garcia, Head of Residential, Savills Portugal, explained that Chinese and Hong Kong buyers seem most interested in the major Portuguese cities, Lisbon and Porto, and specifically in apartments in the most exclusive areas of those cities, with a price range of €500,000 to €1,500,000. They look for high quality finishes, a central location, new construction and close proximity to business centres.

Bruce Lee, Managing Director of Hong Kong-based Sunew Immigration Consultancy, said that for most of his clients in China and Hong Kong, price and location are the two most important considerations; due to this, they generally prefer Lisbon over other areas as the return of investment is relatively high. “Lisbon is also easy to travel internationally from; and prices start at around €500,000,” Lee added.

Alex Koch de Gooreynd, Partner, Head of Portugal Sales, Knight Frank, said that, as the Lisbon market has become more mature and Chinese buyers have become more familiar with different areas in Portugal, choosing the best investment opportunities and considering the longer-term outlook for the respective area, has become increasingly important.

“Lisbon has no doubt led the way as the key location for these buyers, with the city centre, as well as the emerging Parc of Nations areas seeing the most interest and providing the greatest opportunity for capital growth. Porto is probably the second most popular area to invest, with many feeling that the city is growing in a similar style to Lisbon albeit at a slightly slower pace. The Algarve is more focused towards those looking for a lifestyle purchase and less focused towards investment, partly due to the travel distance from China and Hong Kong. Naturally, the lack of pure investment opportunities has placed this area further down their target list and is more popular with Northern European buyers.”

Nuno Durão, Senior Managing Partner, Fine & Country Portugal, agreed that Lisbon, Cascais or Porto are popular investment destinations for Chinese and Hong Kong buyers. “They can buy a nice apartment with €500,000 to €1,000,000 or a nice villa with a garden and a pool with over €1,000,000.”

Thomas Balashev, Managing Director, Montague Real Estate added that lateral apartments, sea facing apartments, or those with city views, new build properties including town houses, luxury penthouses and apartments and occasionally very large traditional villas on the outskirts of a city close to large international schools are particularly popular among Chinese and Hong Kong buyers.

Parikshat Chawla, Director and Global Head of Development Marketing, Leading Real Estate Companies of the World, said that the three most popular cities in Portugal are Lisbon, Porto and the Algarve. “Lisbon is the most expensive housing market with prices matching other major European cities, Porto is a bit more affordable and the Algarve remains extremely reasonable. Many expats choose to buy 1-2-bedroom apartments in these cities, but in the last couple of years there has also been a rush to buy houses or villas,” Chawla added.

In Lisbon, Hong Kong and Chinese buyers look to well-established, prime central residential neighbourhoods, which not only provide peace of mind on the investment, but also excellent connectivity and lifestyle amenities.



QUESTION THREE

Portugal's Golden Visa programme, which allows foreign investors a pathway to residency status, is changing; by January 2022 there will be geographical restrictions on the scheme. Do you think that Portugal will still remain a top property investment destination for Chinese and Hong Kong buyers in 2022?

It is widely believed that there are many reasons, beyond the Golden Visa programme, why Portugal will remain a sound investment choice for Chinese and Hong Kong buyers, including: competitive real estate value in comparison with other European destinations, affordable cost of living, favourable climate, and appeal as a tourism hotspot.

Sean Gaskell, Director, Reward Properties, pointed out that competitive real estate value in comparison to other European destinations, coupled with a significant growth in tourism, low interest rates and a scarcity of new build residential projects, puts properties in Portugal in high demand.

“While housing prices have grown rapidly in recent years, there is still excellent opportunity for longer-term capital growth as well. Of course, Portugal is also known for its high quality of life, favourable climate and rich culture and heritage – all factors that will continue to draw buyers in from around the world. In addition, the increase in local buyers in key locations like Lisbon will further support momentum in the market and drive opportunities.”

Gaskell added:

“There are [also] alternative opportunities for global investors. For example, buyers can look to a qualified real estate fund, such as the RE Capital Property Fund, which provides investors with access to development projects in Portugal, and as such, also to the Golden Visa programme.”

Yat Wan Yeung, Senior Client Advisor, Henley & Partners, added that, beyond the Golden Visa programme, the welcoming business environment in Portugal means that it will remain attractive to Hong Kong and Chinese business people. “Portugal is one of the most crypto-friendly nations in the world. Portugal has demonstrated a welcoming attitude towards crypto currencies and related business, which is an area many Chinese and Hong Kong investors are interested in. Many could consider relocating to Portugal for both business and lifestyle,” Yeung explained.

Alex Koch de Gooreynd, Partner, Head of Portugal Sales, Knight Frank, commented that the huge amount of infrastructure investment in recent years has seen the arrival of many start-ups and innovation centres across Lisbon, and due to this, the demand for quality accommodation will continue to rise.

“The points raised in the response to question one, plus Portugal’s affordable cost of living, attractive climate and appeal as a tourism hotspot mean Portugal is likely to remain a firm favourite for investors,”

de Gooreynd said.

Thomas Balashev, Managing Director, Montague Real Estate, predicted that, with the changes in the Golden Visa programme, Lisbon and Porto – which will no longer be a part of the scheme – may be the worst impacted. “However, the demand may shift towards areas such as Comporta, and up-and-coming areas in terms of real estate, where the scheme will remain in place. Comporta is already receiving a huge amount of attention from both buyers and developers,” Balashev said.

Christopher Kirby-Higgs, a real estate and lifestyle specialist for Coldwell Banker Portugal, pointed out that interest from Chinese and Hong Kong investors in property fractions in Portugal increased by 40.4% in the second quarter of 2020; and he expects that the demand will continue.

“As of 2022, the Golden Visa programme will continue for the countryside. The coastal cities which include Lisbon and Porto will no longer be [a part of the scheme] since the Portuguese Government seeks to promote investment in the interior of the country, and we expect that demand for farms and quintas will increase.”

Kirby-Higgs added that the Non Habitual Resident tax programme is still in force for anyone who makes a successful application for residence.

“Many recent buyers were motivated by this rather than the Golden Visa programme. The scheme has the following benefits among others: first, there is no double-taxation, so any tax benefits enjoyed in country of origin are not taxable in Portugal. Pension income will be liable to a 10% flat tax in Portugal, if it is paid from outside Portugal. Portugal source income, self-employment income and sole trader income will be taxed at a flat rate of 20%. Secondly, in Portugal there is no wealth or capital duty tax, and an inheritance or a gift received by a spouse, descendant or ascendant is tax exempt. Inheritance or gifts received by other individuals will be either not taxable under territoriality rules, or else may be subject to a flat 10% stamp duty,”

said Kirby-Higgs.

Ricardo Garcia, Head of Residential, Savills Portugal, said that Portugal has become a trend in the European real estate market. In this era of working-from-home, people are drawn to the favourable climate and good quality of life in Portugal.

“We expect that this trend will continue despite the [changes being made to] the Golden Visa programme. There will opportunities to [take advantage of] the Golden Visa programme in different cities of Portugal where the investment requirement is smaller. Covid-19 triggered working-from-home culture and we [have seen, and expect to see an] increase in people wanting to live in Portugal,” Garcia explained. “In addition, the number of banks and insurance companies investing in Portugal will continue to bring more investors in the near future.”

QUESTION FOUR

What advice would you give Chinese and Hong Kong buyers who are looking to buy a residential property in Portugal? Would you recommend any particular cities?

When looking to buy a residential property in Portugal, it is advisable to employ a reputable lawyer; work directly with the developer to progress a purchase if hoping to complete before changes to the Golden Visa programme are implemented; find a local expert that can provide guidance and show the best areas and properties available; and conduct due diligence on properties, developers and agents.

Sean Gaskell, Director, Reward Properties, advised: “With the Golden Visa programme set to end on 31st December 2021, buyers looking to take advantage of the scheme – the fastest and most cost-effective route to securing citizenship for both individuals and their immediate families – need to act quickly. Our top advice would be to employ a strong, capable lawyer, and work directly with the developer to progress a purchase ahead of the impending deadline.”

On the best cities to invest in, Gaskell said, “As the capital city, Lisbon understandably remains a top recommendation for buyers. It has some of the best infrastructure, and its location in the centre of the country means transport and connectivity is ideal – residents are equidistant between destinations like Porto and the Douro Valley in the north, and the world-renowned Algarve in the south. Behind Lisbon, the Algarve is arguably the second most popular destination for international tourism, with its world-class beaches, resorts and sunny climate. The Algarve’s iconic resort of Vale de Lobo is a hotspot for buyers looking for an exclusive beachfront location, and our upcoming project in the area, Villas Lobo - which is due to launch at the end of this year - is expected to be in high demand with international buyers.”

Alex Koch de Gooreynd, Partner, Head of Portugal Sales, Knight Frank, advised buyers to consider any area they are considering investing in very carefully, ensuring that the location of the property in question would allow an easily facilitated long term rental, as well as an easy eventual exit route.

“Select the right team of advisers to guide you, including a reputable local lawyer and of course a reputable estate agent, both of whom should be registered with the local governing body,”

said de Gooreynd.

Ricardo Garcia, Head of Residential, Savills Portugal, added that it is most important to find a local expert who can provide guidance and show the best areas and properties available.

“Secondly, location, location, location is still the best attribute to a real estate investment. We expect that Lisbon, Porto and the Algarve will remain the top destinations for international investors. There are other places such as Comporta which we expect to attract many investors in the next 4 to 5 years,”

Garcia said.

Christopher Kirby-Higgs, a real estate and lifestyle specialist for Coldwell Banker Portugal, said that, in general, the coastal regions of Portugal are favourable; and property values are effectively guaranteed to increase steadily.

“This includes some of our main cities – Lisbon, Porto; however there are many other options [...] like the Alentejo region, the Algarve, Coimbra, Sétubal, the Greater Lisbon area which includes Cascais, Caparica, Sintra, Mafra, Ericeira, Sesimbra. These are all towns with exceptional quality of life and affordable properties,”

Kirby-Higgs said.

Thomas Balashev, Managing Director, Montague Real Estate, agreed and predicted that Portugal’s coast and country will offer amazing opportunities for Chinese and Hong Kong buyers.

“Although Lisbon and Porto are being removed from the Golden Visa programme, there is no doubt that both cities [...] will still remain Portugal’s most attractive cities, both for tourists and buyers. Lisbon in particular, currently has major public and private investments planned over the next decade, including a new train station, multiple subway stations and an airport in 2023. Lisbon is the tech start-up capital of Europe, making it a huge innovation hub. The capital offers many opportunities due to the business revolution taking place here.

Balashev’s advice to potential investors is to “research the city’s different neighbourhoods first as each one is slightly different, all offering different value for money and a different pace of life.”

Chitra Stern, Co-Founder, United Lisbon International School, described Lisbon as a hub for innovation in tech, art and culture, and excellent education. For families buying in Portugal, a good international school is a priority. “Our school sits on the boundary of Park of Nations and is easily accessed from all parts of Lisbon because of the excellent road network. It is part of Lisbon’s first Edu Hub - the vision for which is an ecosystem where students, educators, innovators, and creators connect – all focused on the future of learning,” Stern said.

She added that areas in North Lisbon such as Park of Nations and Marvila represent good investment potential and are being likened to King’s Cross, Battery Park, and Canary Wharf. These areas have rich and thriving cultural scenes – drawing esteemed artists from around the world – and world-class amenities and are very close and well connected to the airport and city centre.

CONCLUSION

The Portugal real estate market is expected to remain strong and sound, despite the changes in the Golden Visa programme that will be instated in January 2022. For those hoping to invest before the changes to the Golden Visa scheme are made, it is advised that they move quickly. After January 2022, Chinese and Hong Kong investors may broaden their search outside of Lisbon and Porto, and look for properties in other areas, in the countryside or along the coast.

Nonetheless, the cities that will no longer be included in the Golden Visa scheme will remain popular, due to their world-class amenities, rich cultural heritage, and their status as centres of innovation in tech. Notably, Lisbon, which has been recently voted as one of 21 cities of the future by Cognizant, is expected to remain a sound destination for real estate investment for Chinese and Hong Kong buyers in 2022.

NOTES TO THE EDITORS:

This Thought Leadership Article was jointly conducted by 11K Consulting, one of the UK's leading Chinese luxury and property PR and communications agencies; and Reward Properties, a joint venture between RE Capital, the Geneva based property investment, development and asset management-business, and Newworld, a European-domiciled property development company.

This is part of 11K's China Insights Hub (<https://11kconsulting.com/hub/>) to educate, inform and inspire our audiences on different topics about the evolving Chinese market.

Here is a full list of interviewees who were interviewed for this article (not in any order):

Sean Gaskell Director,
Reward Properties

Alex Koch de Gooreynd, Partner,
Head of Portugal Sales,
Knight Frank

Ricardo Garcia, Head of Residential,
Savills Portugal

Thomas Balashev, Managing Director,
Montague Real Estate

Yat Wan Yeung, Senior Client Advisor,
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Christopher Kirby-Higgs,
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Parikshat Chawla,
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Ricardo Garcia, Head of Residential, Savills Portugal

ABOUT 11K CONSULTING:

11K Consulting is one of the UK's leading Chinese luxury and property PR and communications agencies specialised in helping companies to target and influence Chinese and Asian investors, U/HNWIs and luxury consumers in China, Hong Kong and the UK. Our clients are a mix of high-end real estate development, interior design, architecture, and luxury lifestyle companies in the UK and Europe.

<http://11kconsulting.com>

ABOUT REWARD PROPERTIES:

Reward Properties is a joint venture between RE Capital, the Geneva based property investment, development and asset management-business, and Newworld, a European-domiciled property development company.

John Rabie established Newworld to spearhead his residential and mixed-use developments outside of South Africa. He has a long and highly successful track record as a developer. He co-founded Rabie Property Group, one of South Africa's leading independent developers, in 1978. The company's pioneering mixed-use developments, which include Marconi Beam, Royal Ascot, Westlake Estate, Big Bay and Century City have changed the face of Cape Town and won many local and international awards.

<https://rewardproperties.com/>

CONTACT US:

If you would like to speak to any of the interviewees above, please contact **Sally Maier-Yip, Founder & MD, 11K Consulting**, at sally@11kconsulting.com or **+44(0)7841 377018**.

For further information on **Reward Properties** and its development portfolio, please visit www.rewardproperties.com, and for sales enquiries please email **Alan Bell, Sales & Marketing Director** at alan@rewardproperties.com.