

Investment Guide

Portugal Real Estate

2025





PRESENTS

Savills

Being one of the world's leading multi-sector property advisors, we have seen our efforts receive recognition from several renowned entities and some of the most demanding certifications.

Thanks to our 160-year history and in-depth know-how, we are now one of the world's leading property consultancies. We have an international network of more than 40,000 professionals, spread across more than 700 offices in Europe, Asia Pacific, Africa, America and the Middle East.

Our recognised global and local market expertise in services such as transactions, consultancy, real estate asset management and architecture, allows us to offer, in a personalised way, excellent assistance tailored to the needs of each client.

We have been in Portugal since January 2018, through the acquisition of Aguirre Newman, then leader of the

Iberian market; ever since, our experience has been marked by success, from historic deals to the exponential growth of our team, through the completion of pioneering projects.

In 2021, we were responsible for completing the remodelling process of what would come to be considered a sustainability case study in the country - the MB4 Office Building.

We were also the first company in Portugal with professionals accredited as BREEAM AP and WELL AP.

Already in 2023, we starred in what was one of the great real estate operations of the year: the acquisition of Predibisa, a proven leader in Residential and Commercial Real Estate

mediation services, present in the Porto market for over 30 years.

And this is just the beginning of our story. We are sure that, together with you, we will continue to build a sustained and successful path.

DLA Piper

DLA Piper is a global law firm with lawyers located in more than 40 countries throughout the Americas, Europe, the Middle East, Africa and Asia Pacific, positioning us to help clients with their legal needs around the world.

OUR VALUES

We are committed to excellence in how we represent our clients, develop our people, and serve our communities.

Bold

We are fearless and inquisitive, challenging ourselves to think big and find creative new solutions.

Exceptional

We are strategic and driven, exceeding standards and expectations.

Supportive

We are compassionate and inclusive, valuing diversity and acting thoughtfully.

Collaborative

We are proactive, passionate team players, investing in our relationships.

SUSTAINABILITY PROTECTING TOMORROW FOR EVERYONE

In today's world, ESG issues are of critical importance to business. We're helping our clients transition to, and thrive in, a more sustainable future. We ask tough questions about purpose and transparency, and find the answers together. We're also looking for opportunities to integrate sustainability into our governance, decision-making and operations. We ensure our people have the right resources and support they need to perform and deliver at their best for our clients.

MAKING BUSINESS BETTER

We believe great businesses can make a better world. Forward-thinking, innovative organizations can find the answers to today's most difficult questions. That's why, every day, we help them succeed. Our bold and dynamic culture means we think big and act decisively. Because relationships are at the heart of everything we do for our clients and communities.

Let's make business better. Together.

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- THE NEW TAX INCENTIVE FOR SCIENTIFIC RESEARCH AND INNOVATION AND THE TRANSITORY RULES ON THE NHR

Why Portugal

Geographic
Location

HR high
Tecnological Skills

Great
Weather

Easy
Mobility

Direct connection to the main
European Capitals

Quality of higher
Education System

Qualified
Talent

Competitive
Wage Costs

International
Business Environment

Time
Zone

Complete transport network in
Main Cities

Cultural & gastronomic
Heritage

Security



Europe's
Leading City
Destination

2023

World Travel Awards



World's
Best Golf
Destination
and Europe's
Best Golf
Destination

2023

World Golf Awards



World's Best
MICE Destination
in Europe

2023

World MICE Awards



Best Place for
Digital Nomads
to Live

2023

By Digital Nomads



Investment

Outlook 2024 | Trends 2025

Year 2024 | What to
expect for 2025?

Forecast 2025

1.9%
GDP GROWTH
RATE

GDP growth in Portugal is expected to be moderate in the coming year. The expansion will be supported by domestic demand recovery, EU-funded infrastructure projects, and a stable labor market.

1.8%
INFLATION
RATE

Tourism is expected to continue playing a significant role in Portugal's GDP growth in the coming year. While its impact may not be as strong as in pre-pandemic times, the sector will still contribute positively to economic recovery.

6.5%
UNEMPLOYMENT
RATE

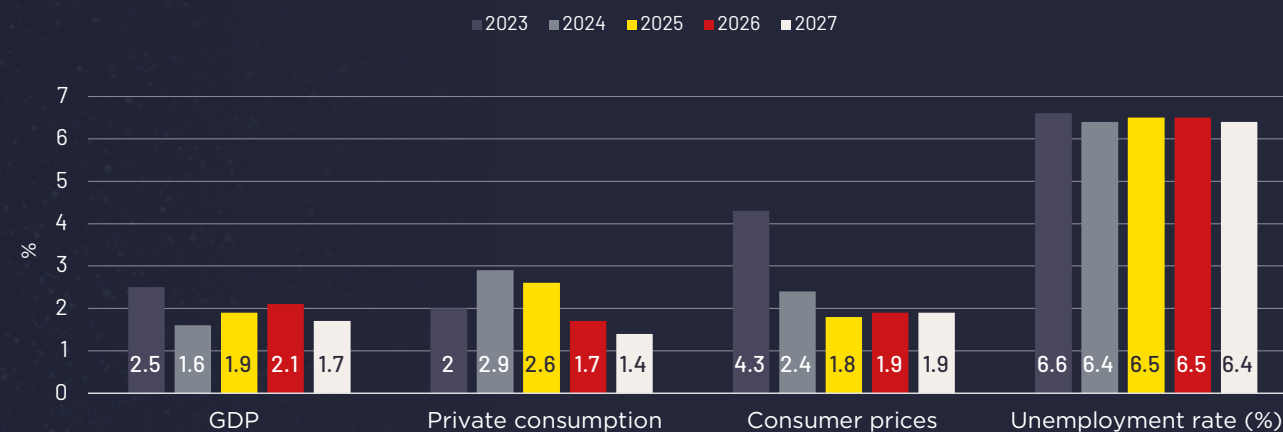
It is expected that annual inflation will decrease in 2025, as the temporary effects of price increases, such as the reintroduction of VAT on certain food products, are likely to diminish. However, energy costs and global pressures may continue to influence domestic prices.

The labor market continues to show positive results. Preliminary data for the fourth quarter suggest that this growth will continue. The unemployment rate remained stable and favorable, standing at 6.7% in November.

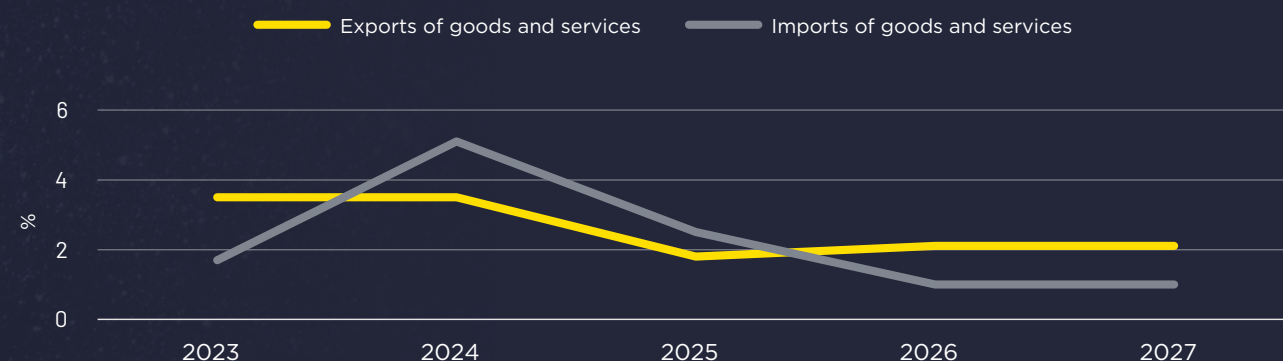
INVESTMENT RETAIL OFFICES INDUSTRIAL & LOGISTICS RESIDENTIAL TOURISM

ECONOMY

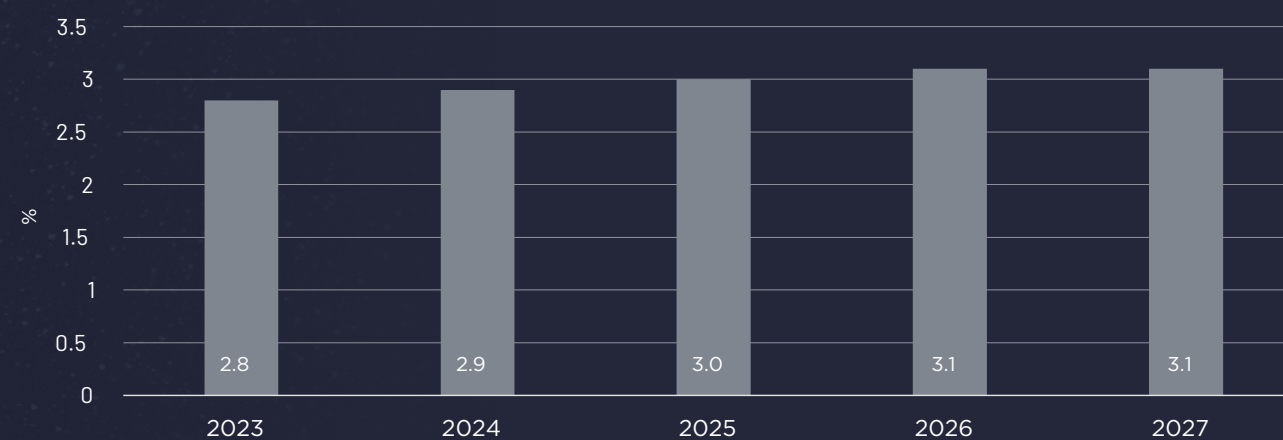
— Key Economic Forecast —



— Imports vs. Exports —



— 10 Years Government Bons Yield (% EOP) —



SOURCE Oxford Economics

Investment

Market 2024 | Trends 2025

Shopping Centers, Supermarkets, and Hotels at the Top of Investors' Preferences in 2024

The total volume of real estate investment reached approximately €2.3 billion, marking a robust growth of 51% compared to the previous year. This performance reflects not only the expected recovery of the sector after a more challenging 2023, but also the strengthening of investor confidence in the competitiveness of the Portuguese market. The Retail segment was the star of the year, standing out with a total investment volume of €1.1 billion, which

represents an +104% year-over-year growth, reflecting the revitalization of the sector, particularly in the Shopping Centers subsegment, which captured 20% of the market share, benefiting from consumption recovery and repositioning strategies. Supermarket assets closely followed, representing 19% of the total investment volume, with significant transactions, such as the acquisition of supermarket portfolios, taking place.

2024

€2.3 billion

Year-on-Year +51%

INVESTMENT

RETAIL

OFFICES

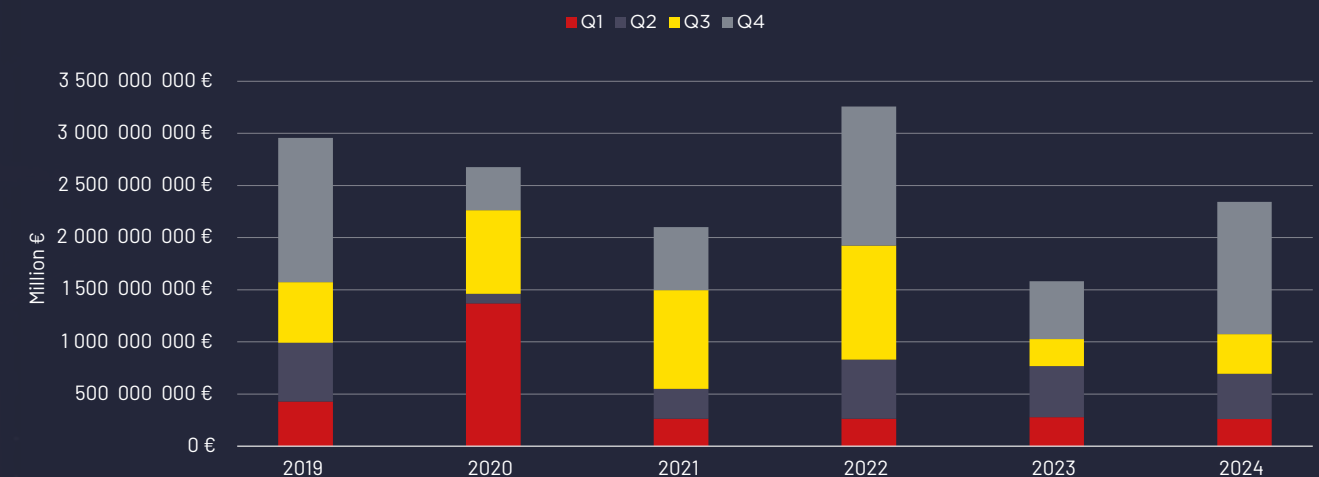
INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

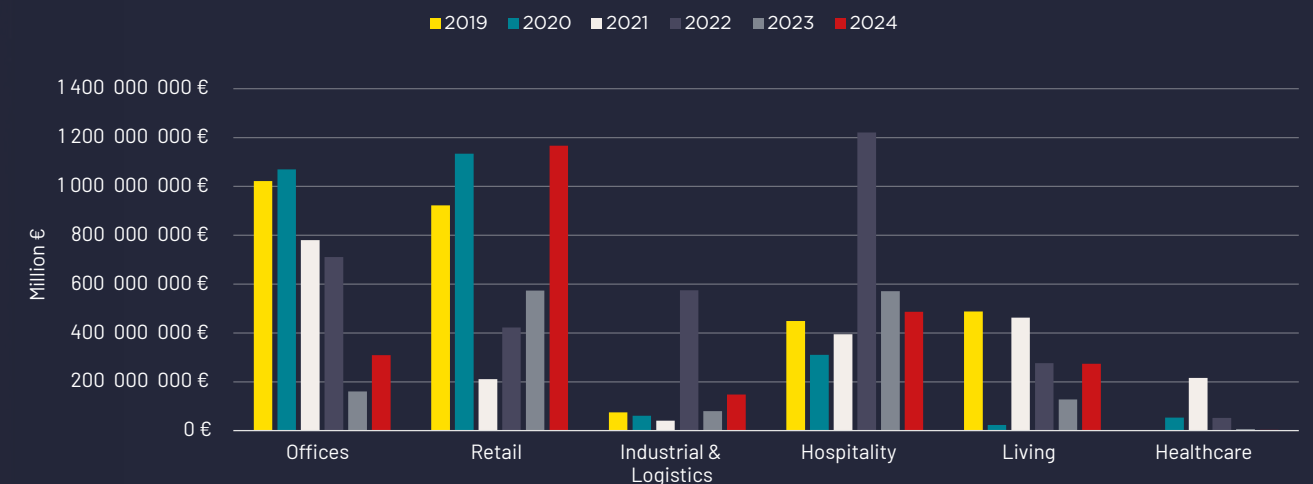
MARKET 2024 | TRENDS 2025

— Total Real Estate Investment Volume —



— Investment Volume —

BY SECTOR



The Hospitality sector remained the second largest segment in terms of investment volume, with a market share of 20%, but faced a 15% contraction compared to 2023.

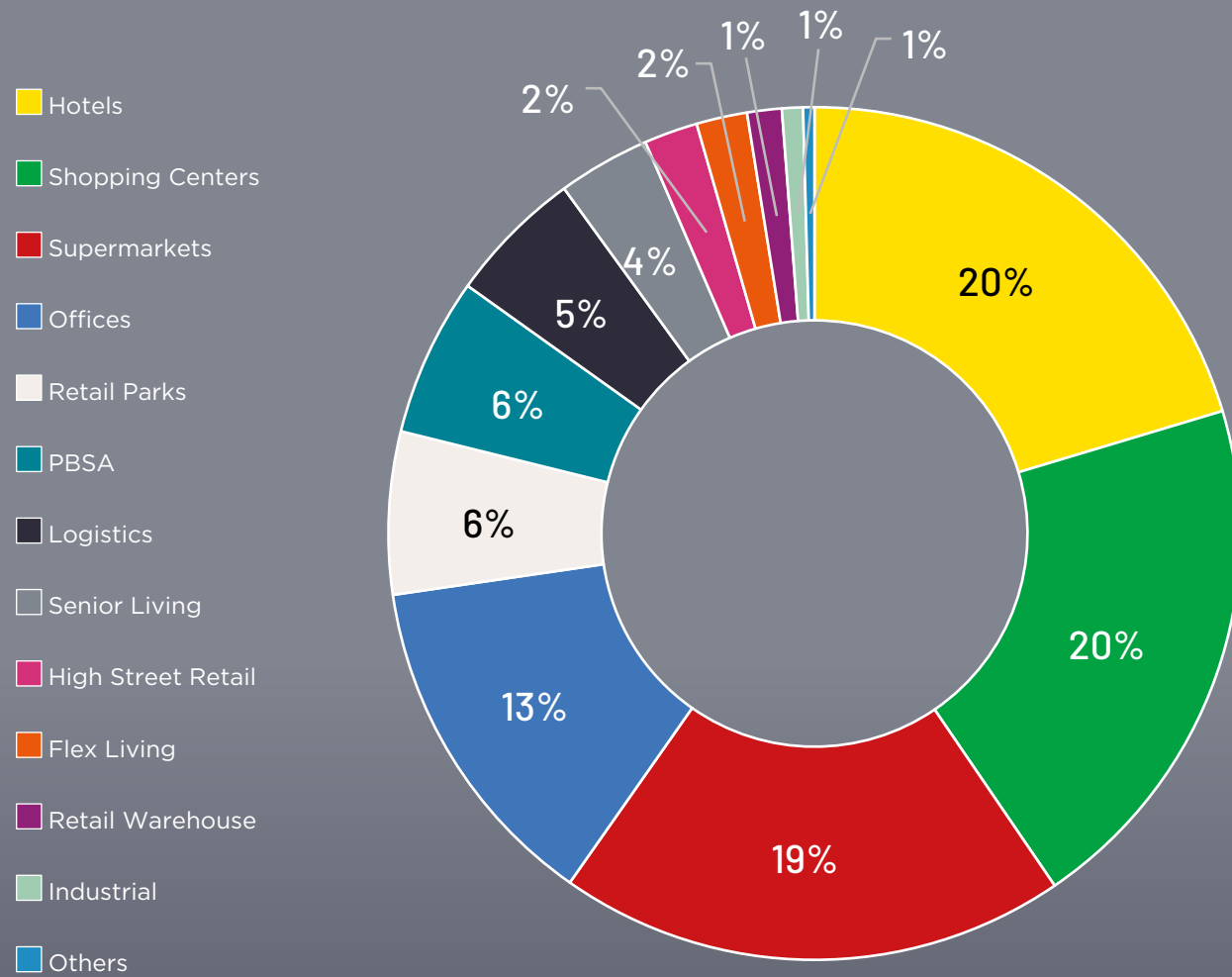
The Living segment recorded an extraordinary growth of 114% year-over-year, reaching a total volume of €274 million. This increase was driven by the growing demand for assets such as Purpose-Built Student Accommodation (PBSA) and Senior Living, in line with demographic trends and a greater

focus on specialized housing solutions. The office market demonstrated solid recovery, with a 94% increase compared to the previous year, totaling €310 million in investments. This growth reflects a strong demand for modern and flexible spaces, driven by companies adapting to new work dynamics, such as hybrid working. The preference for sustainable and technologically advanced buildings also played a significant role in the attractiveness of this segment.

SOURCE Savills

— Distribution of Investment Volume —

BY ASSET SEGMENT



HOTELS

486 M

-15% YoY
Prime Yeld 5.50%

SHOPPING CENTERS

480 M

+192% YoY
Prime Yeld 6.25%

SUPERMARKETS

460 M

+88% YoY
Prime Yeld 5.50%

OFFICES

309 M

+95% YoY
Prime Yeld 4.75%

INVESTMENT

RETAIL

OFFICES

INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

MARKET 2024 | TRENDS 2025

— Top Investors Nationalities —



Portugal
28%



France
27%



Spain
17%

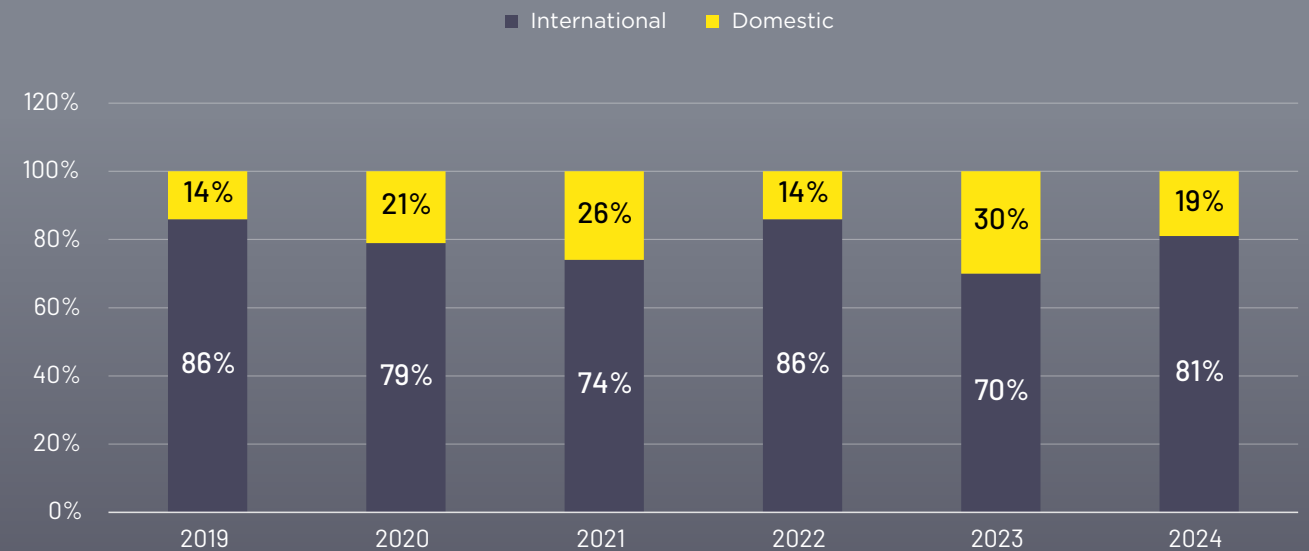


South Africa
17%



Germany
11%

— Cross-Border vs. National Capital —



RETAIL PARKS

147 M

+30% YoY
Prime Yeld 7.00%

INDUSTRIAL & LOGISTICS

147 M

+84% YoY
Prime Yeld 5.50%

PBSA

143 M

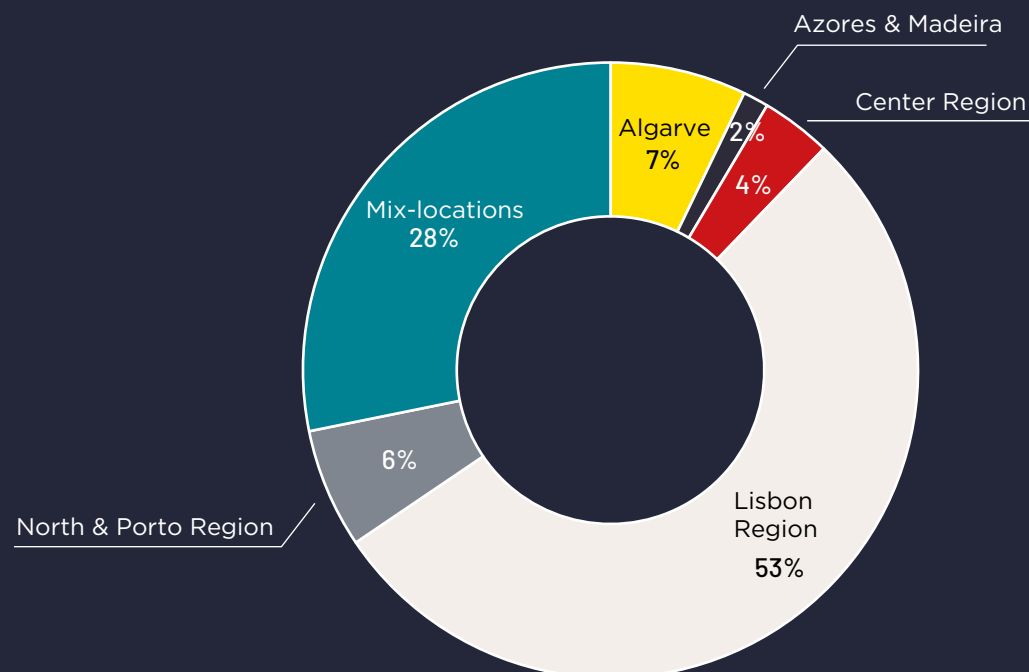
+14% YoY
Prime Yeld 5.50%

— Single vs. Portfolio Acquisitions —



18

— Target Location for Capital Allocation — IN 2024



— Distribution of Investment Volume —

BY AMOUNT RANGE

9%

< € 10 MILLION

26%

€ 10 MILLION - € 50 MILLION

27%

€ 50 MILLION - € 100 MILLION

28%

> € 100 MILLION

19

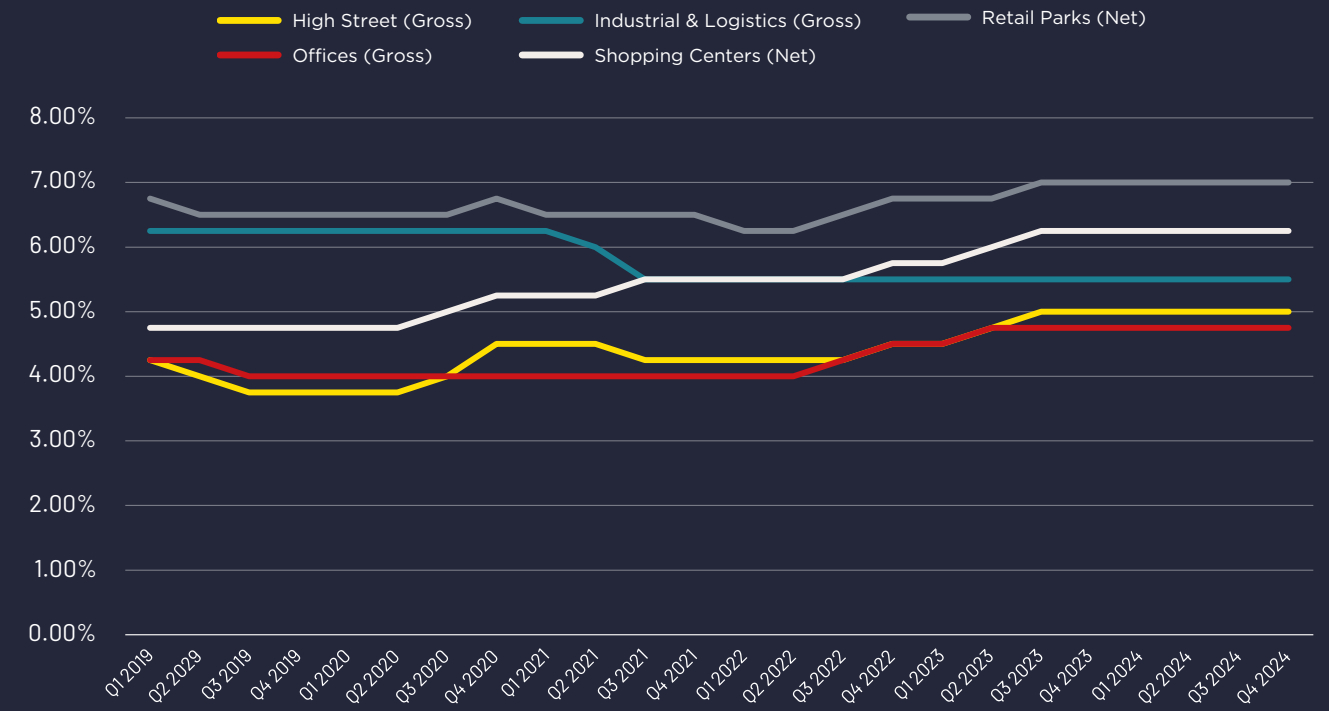
The European Central Bank (ECB) has reduced its key interest rate to 3.00% and is expected to lower it further to 2.50% by March 2025. These rate cuts aim to improve financing conditions and renew investor confidence across key asset classes. By the third quarter of 2025, prime yield compression is anticipated to accelerate, spreading across various European markets and signaling a positive shift in investment activity. This reflects growing opportunities as markets adjust to more favorable monetary conditions.

For the Portuguese investment market in 2025, a potential yield compression is anticipated, driven by a confluence of factors including a strengthening economy and a more robust investment climate.

KEY DYNAMICS

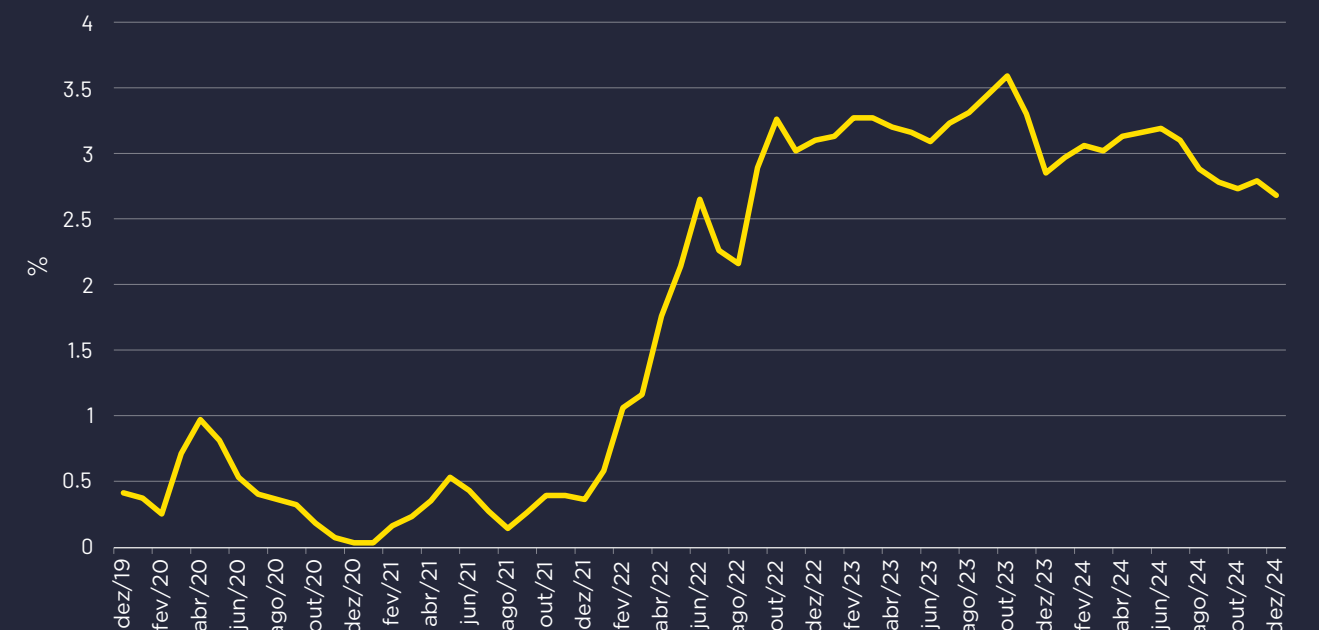
- » Improved financing conditions: Lower debt financing costs;
- » Sustained economic growth: Continued economic growth is boosting investor confidence and attracting international capital to the Portuguese market;
- » Reduced risk premium: The ongoing implementation of economic measures designed to mitigate debt exposure is contributing to a reduction in Portugal's risk premium.

— Prime Yields —



— Yield on Treasury Bonds with Fixed Rate and Residual Maturity —

OF 10 YEARS



TOP Transactions 2024

PORTFOLIO ATOS

SUPERMARKETS

€245 M | 49%

BUYER

Leadcrest Capital Partners

MODELO CONTINENTE PORTFOLIO

SUPERMARKETS

**€150 M
| 72,600 sqm**

BUYER

Slate Asset Management

ALEGRO MONTIJO

SHOPPING CENTER

**€178 M
| 57,139 sqm**

BUYER

Lighthouse Properties

PORTFOLIO RIOSUL SHOPPING
| LOURES SHOPPING | 8ª AVENIDA

SHOPPING CENTER

**€176.6 M
| 119,674 sqm**

BUYER

Castellana Properties

CONRAD ALGARVE

HOSPITALITY

**>€150 M
| 154 Rooms**

BUYER

Group Quinta do Lago

HOTEL SOFITEL LISBOA LIBERDADE

HOSPITALITY

**€75 M
| 175 Rooms**

BUYER

French Group

K-TOWER

OFFICES

**€84 M
| 15,000 sqm**

BUYER

Real I. S.A.G

INVESTMENT

RETAIL

OFFICES

INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

MARKET 2024 | TRENDS 2025

What to expect in 2025

Following the European Parliament elections in June, gains by right-wing and Eurosceptic parties are expected to influence EU policymaking in the coming years. The U.S. presidential election could strain transatlantic relations and challenge Europe's trade and geopolitical strategies in 2025 and beyond. Many of the challenges in 2025 will be similar to those in 2024, reflecting decisions and strategies initiated in the previous year. While 2024 focused on crises and economic stabilization, 2025 may concentrate on implementing growth-oriented policies, such as targeted fiscal spending.

Investor confidence reinforced by a favorable economic backdrop, ensuring a stable and predictable investment climate.

Investment trajectory remains on a positive upward trajectory, supported by strong fundamentals and sustained growth.

Continued focus on portfolio diversification, with a strategic balance across asset classes and geographical exposure, enhancing risk-adjusted returns.

Retail sector performance showing notable improvement, driven by the rebound in consumption and strategic acquisitions of high-potential assets.

Living segment assets continue to attract strong demand, underpinned by solid demographic fundamentals and long-term growth prospects.

Hospitality sector experiencing consolidated demand, fueled by robust national tourism performance and operator-driven expansion strategies.

Portugal is becoming a key destination for data center investments, driven by its strategic location, access to affordable renewable energy, modern telecom infrastructure, and political stability. This sector is poised for significant growth, with increasing interest from global investors looking to expand digital infrastructure.

Prime yields to remain stable or with a slight downward trend as a result of the anticipated cuts of the ECB, as well as the strong fiscal discipline and economic performance is decreasing the country risk premium.



Offices

Outlook 2024 | Trends 2025

Year 2024 | What to
expect for 2025?

Lisbon

Office Market 2024

MAIN KPI'S

Year 2024

TOTAL MARKET STOCK

4,511,428
sq.m

DEALS DONE

174
(YoY: +10%)

TAKE-UP

206,946
sq.m (YoY: +84%)

VACANCY RATE

7.95%

PRIME RENT

29€
sq.m / month

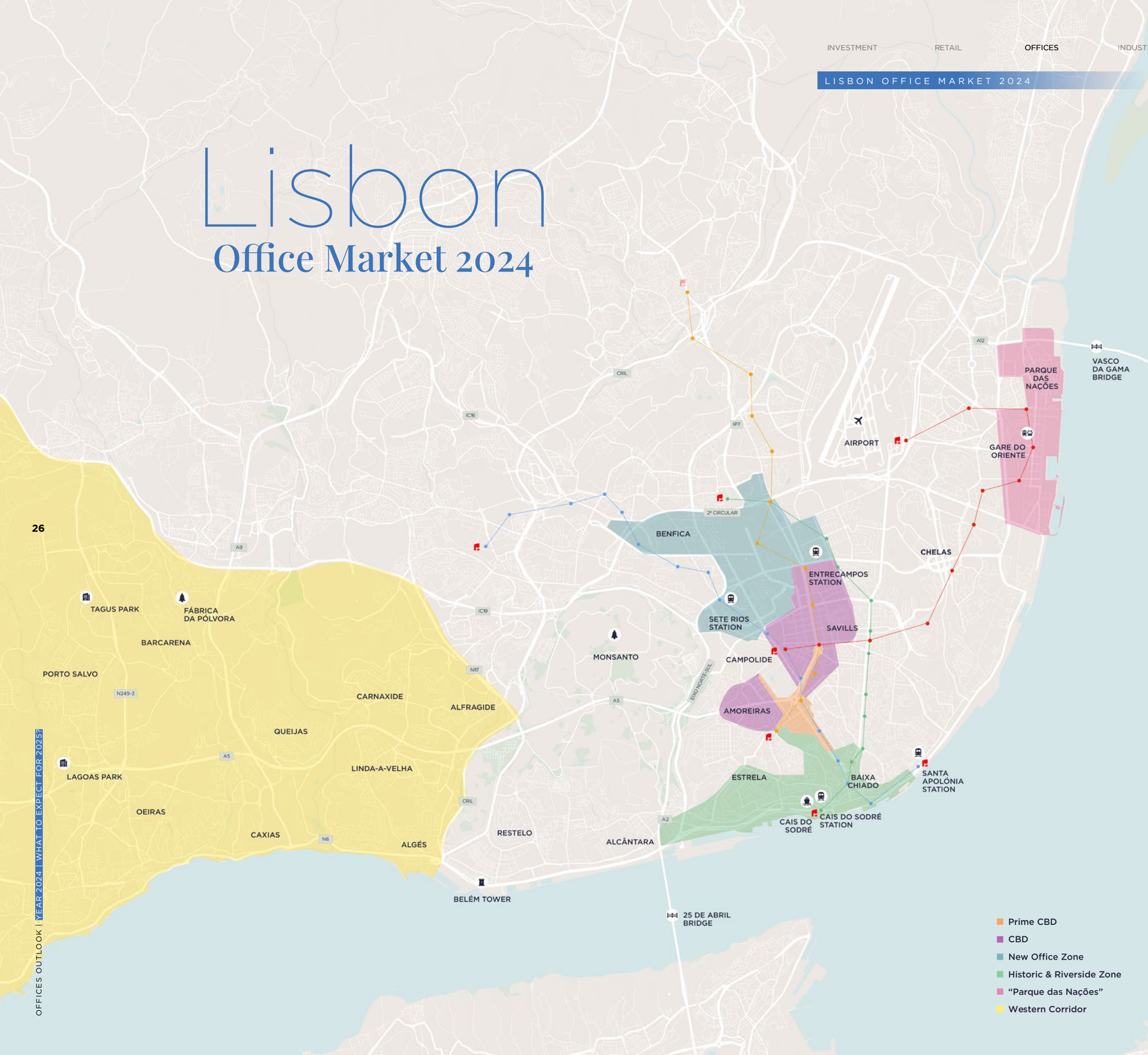
HIGHEST TAKE-UP ZONE 5

72,080
sq.m (YoY: +205%)

SOURCE Savills

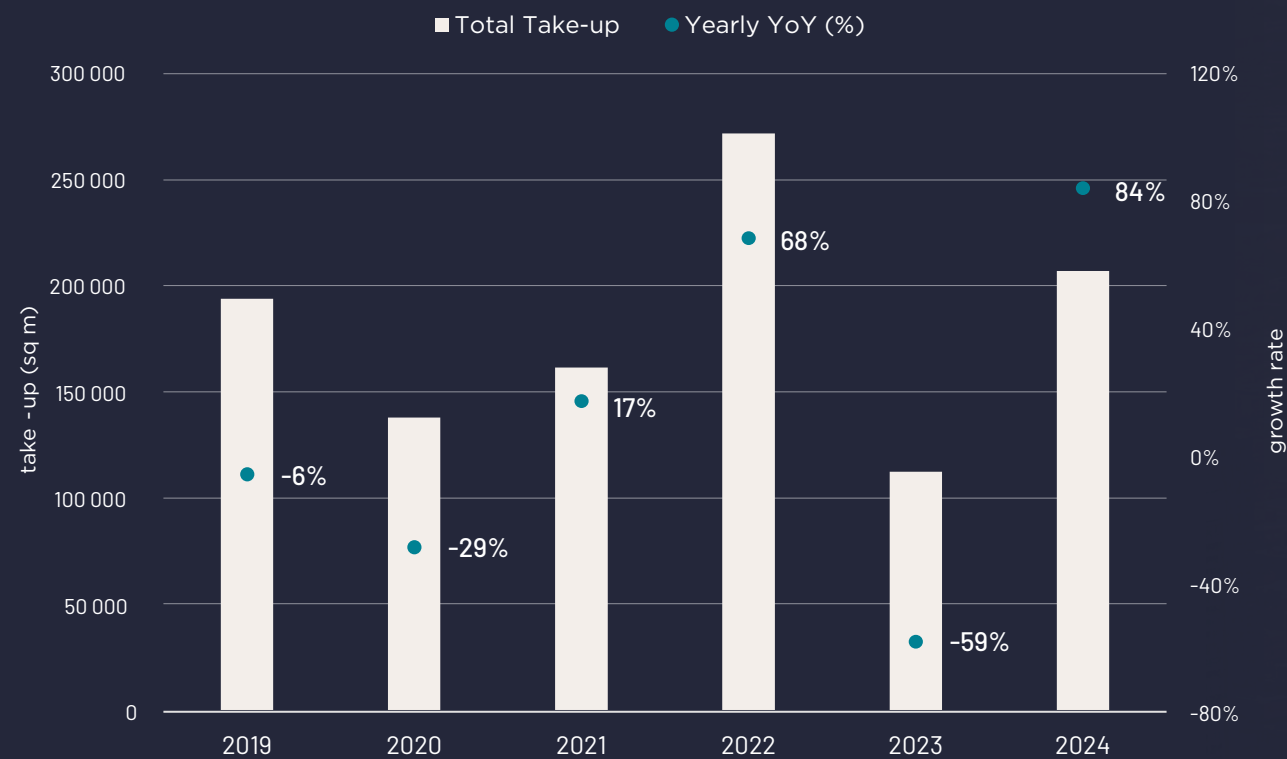
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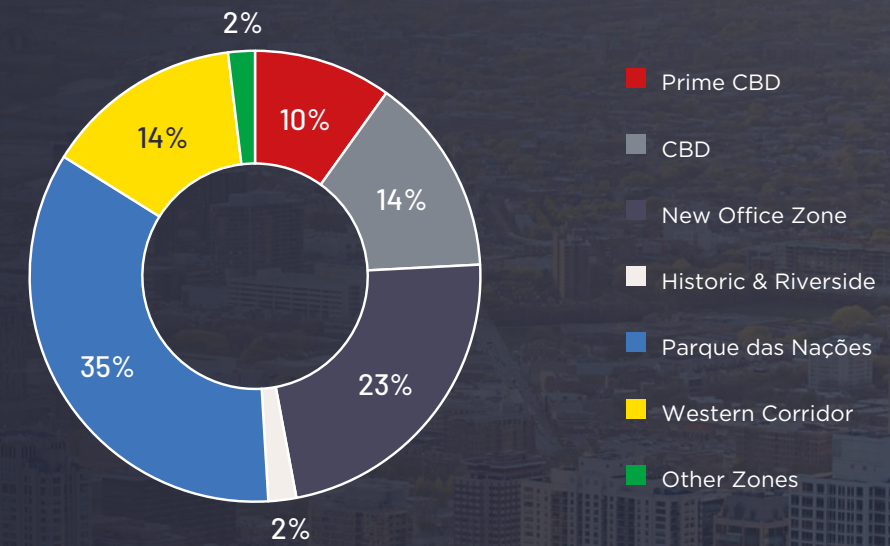
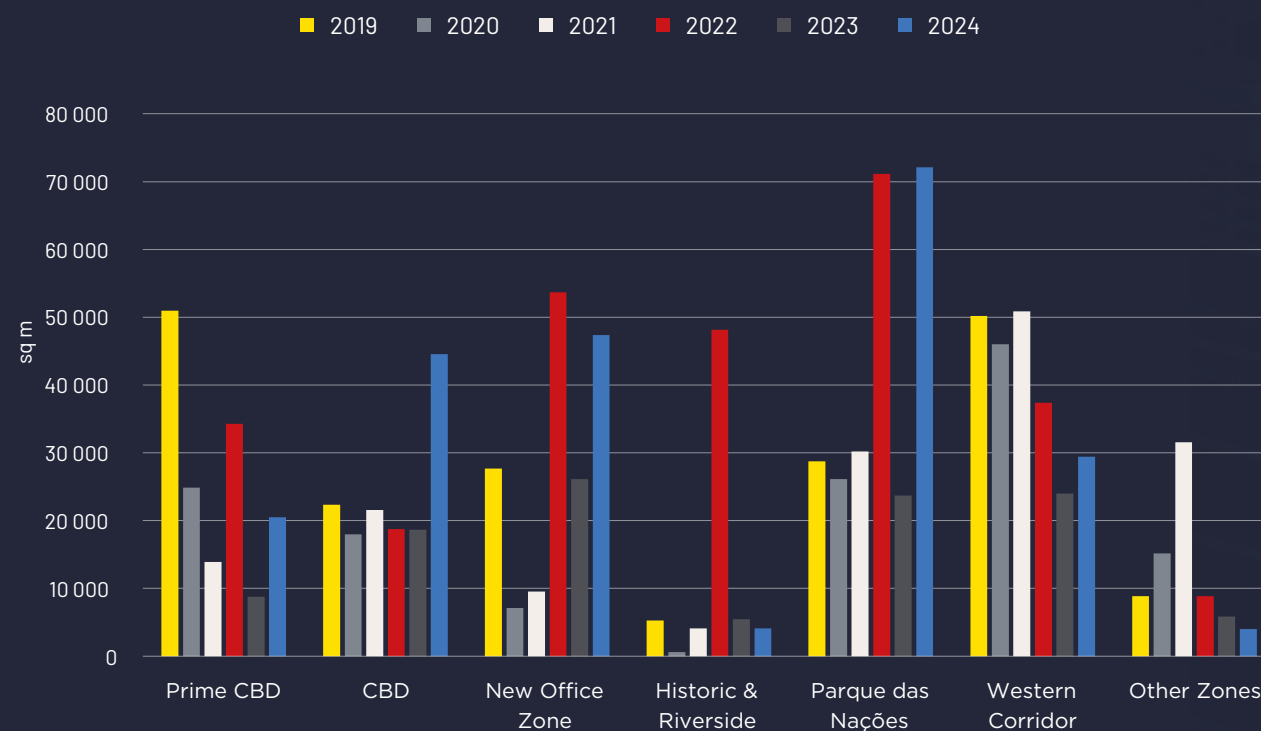
LISBON OFFICE MARKET 2024

— Annual Evolution of Take-up —



— Annual Take-up —

BY MARKET ZONE



» In 2024, Lisbon's office market demonstrated clear signs of recovery, with total take-up rebounding to 206,946 sq m, an 84% YoY increase. This resurgence was largely driven by strong performances in Parque das Nações, which recorded an impressive 72,080 sq m, more than tripling its 2023 figure of 23,658 sq m, and the New Office Zone, which rose to 47,350 compared to 26,129 sq m the previous year.

» The Prime CBD also contributed to the recovery, with take-up increasing from 8,786 sq m in 2023 to 20,491 sq m in 2024, a substantial improvement. Similarly, the CBD posted gains of roughly 60% YoY increase.

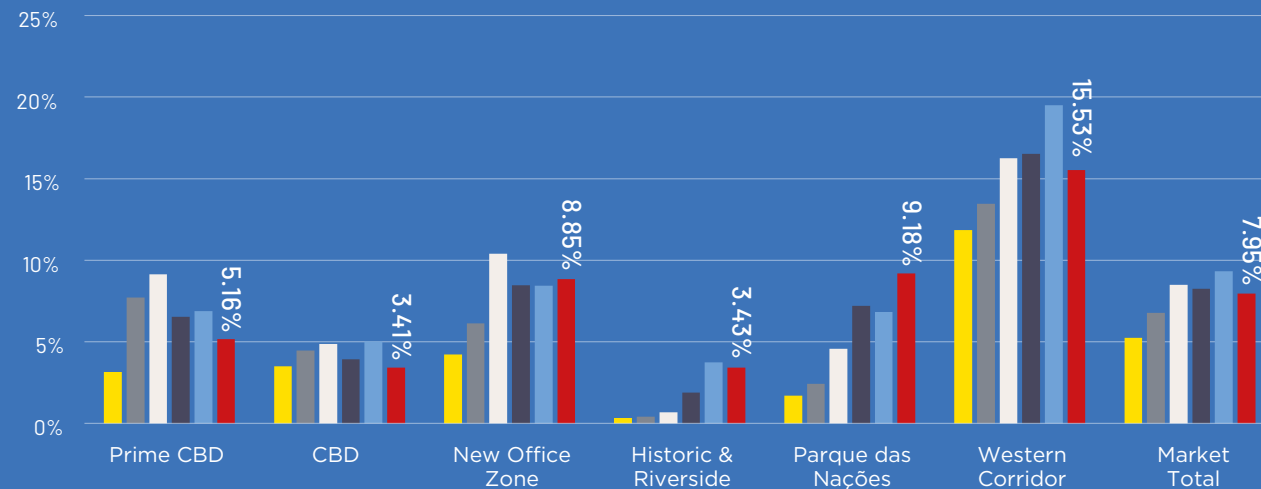
» The overall market demonstrated renewed demand, reflecting improved economic conditions and confidence in Lisbon's office market.

— Vacancy Rate —

BY MARKET ZONE

7,95%
Q4
2024

2019 2020 2021 2022 2023 2024



Overview 2024

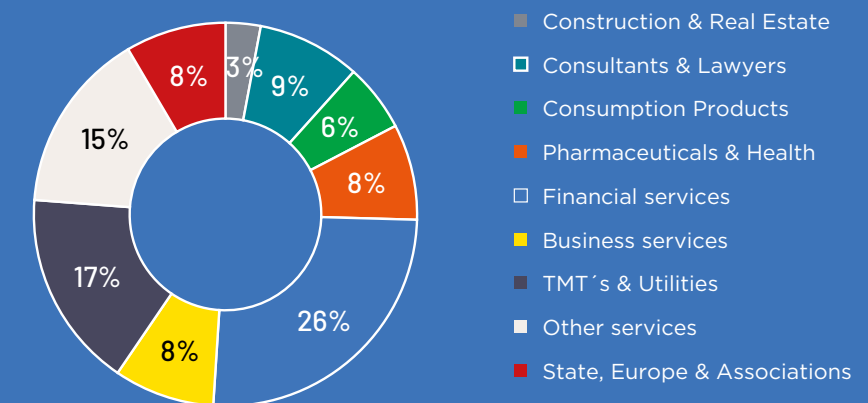
» Total take-up in 2024 increased by 18% compared to Lisbon's five-year average take-up;

» The market recorded its lowest total vacancy rate since 2021, accompanied by year-on-year increases in prime rents — 4% in the Prime CBD and 9% in the CBD;

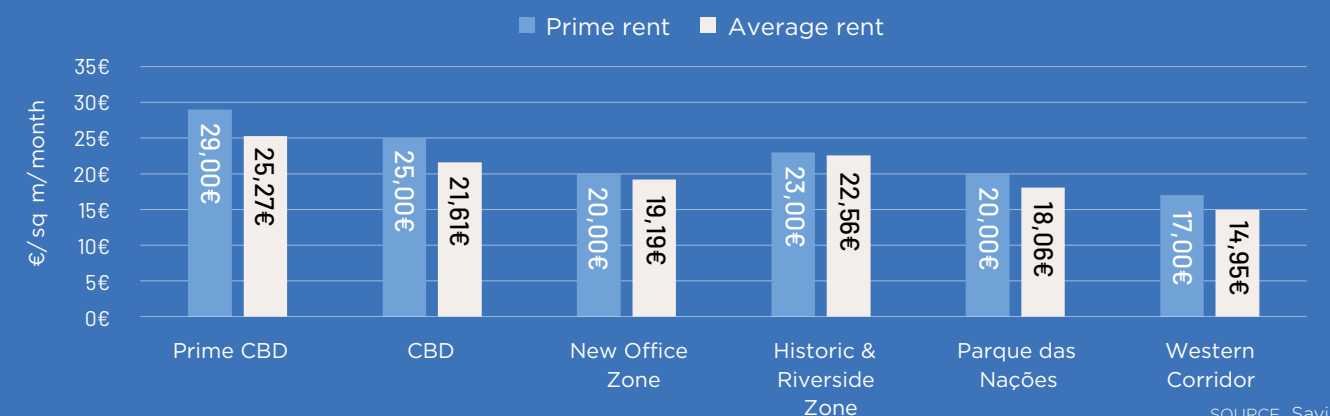
» The top three business sectors — Financial Services, TMT, and Other Services — accounted for over 62% of Lisbon's transacted area.

— Distribution of Take-up —

BY BUSINESS SECTOR



— Prime Rent vs. Average Rent —

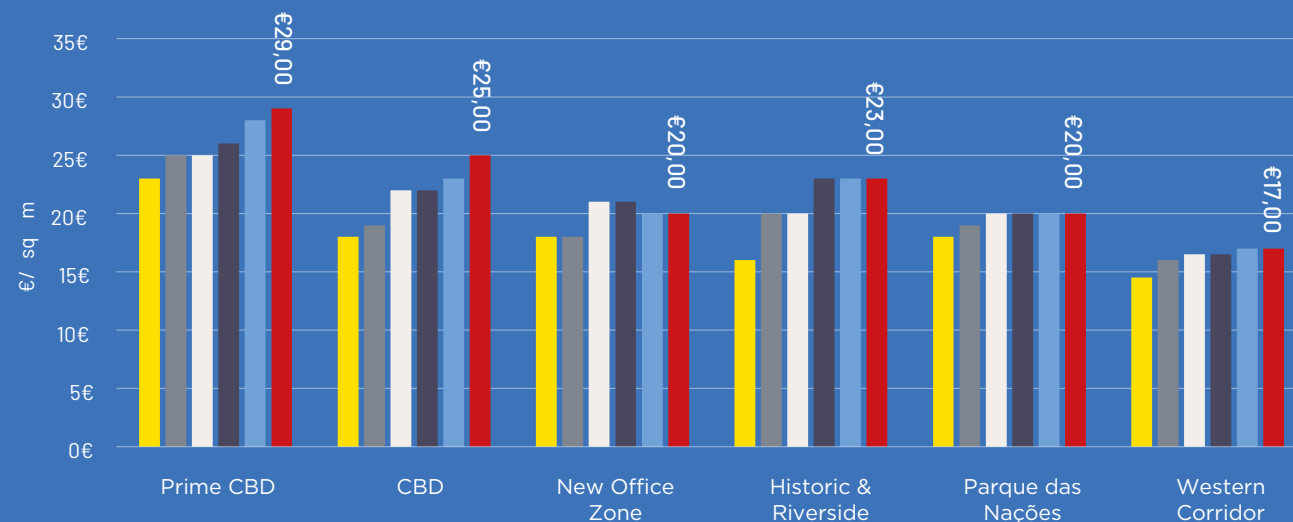


— Prime Rents —

BY OFFICE MARKET ZONE

29€
(+3.57% YoY)

2019 2020 2021 2022 2023 2024



— Building Completion —
IN 2024

BUILDING COMPLETIONS 2024	CONCLUSION DATE	MARKET ZONE	GLA (SQM)
EDP 2	Q2 2024	Historic & Riverside Zone	11,400
EXEO	Q2 2024	Parque das Nações	21,474
Marquês de Pombal 2	Q2 2024	Prime CBD	3,313
Novo Banco - Taguspark	Q2 2024	Western Corridor	8,233
Oriente Green Campus	Q4 2024	Parque das Nações	40,000

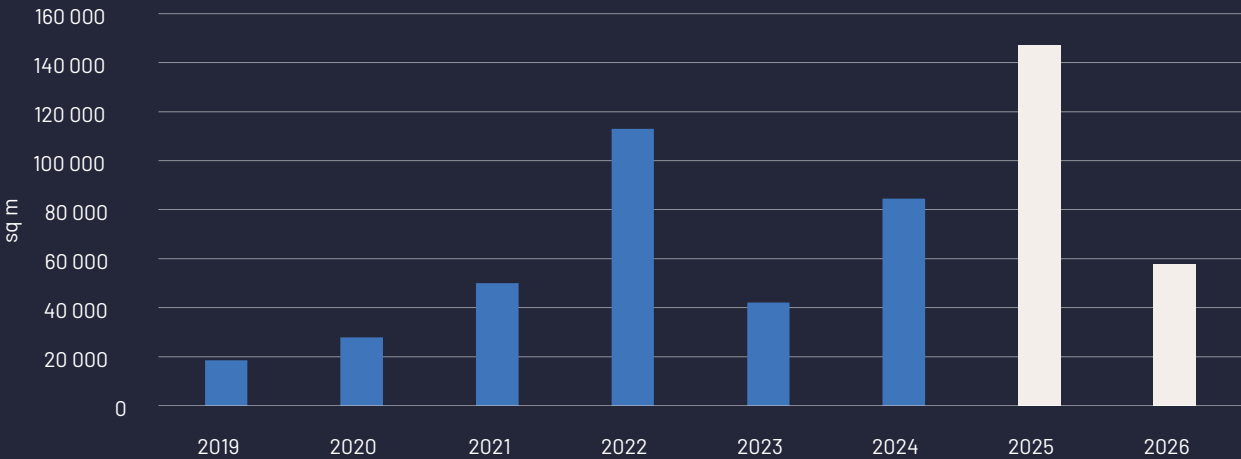
— Top Deals Done* —
IN 2024

MARKET ZONE	BUILDING	GLA sq.m	TENANT	BUSINESS SECTOR	DEMAND REASON
Parque das Nações	WELLBE	26,709	Caixa Geral de Depositos	Financial Services	Relocation
CBD	Rato 11	5,818	Deloitte	Consultants & Lawyers	Area expansion
Prime CBD	Marquês de Pombal 2	3,851	Monday by Urbania	Business Services	New company in Lisbon
Western Corridor	Q43 Fernão Magalhães	3,780	Leaseplan/ Ayvens	Business Services	Relocation
New Office Zone	Malhoa 27	3,105	Greenvolt	TMTs & Utilities	Relocation

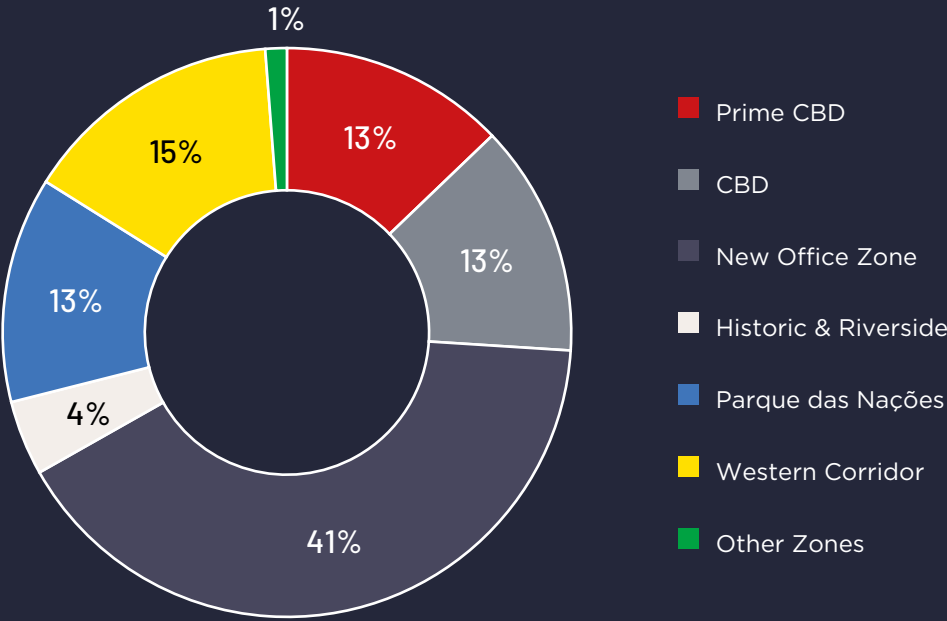
* Only public deals considered.

LISBON OFFICE MARKET 2024

— Completed Supply vs. Pipeline —



— Distribution of Pipeline —
2025 - 2026



SOURCE Savills

Lisbon

Office Market 2024

What to expect in 2025

In 2025, Lisbon's office market is projected to sustain its strong momentum, with total take-up anticipated to reach 200,000 sq m. The market's robust performance will be driven by steady demand across key sectors, including TMT's and Financial Services. These industries continue to anchor Lisbon's position as a regional hub for business and innovation.

Prime rents are expected to see gradual increases, particularly in high-demand areas such as the CBD, Historic&Riverside Zone and Parque das Nações, as occupiers compete for limited premium spaces. By the end of 2025, the overall prime rent is projected to reach €30/sq m/month, reflecting Lisbon's status as a sought-after destination for high-quality office environments.

Approximately 58% of the new supply slated for delivery this year is already pre-let, showcasing strong occupier confidence and advanced planning by expanding companies. This proactive

demand underlines the scarcity of prime spaces and signals continued tenant competition for new, modern developments.

Sustainability and technological innovation will remain at the forefront of tenant requirements, with businesses increasingly favouring green-certified buildings and spaces equipped with smart technology. Coupled with the rising demand for flexible workspace solutions, developers and landlords will need to adapt their offerings to cater to these evolving preferences.

The strengthening of the "fly to quality" trend will further deepen the divide between prime and secondary supply, exerting greater pressure on secondary market areas with a higher concentration of obsolete stock.

Porto

Office Market 2024

36

OFFICES OUTLOOK | YEAR 2024 | WHAT TO EXPECT FOR 2025?

- Boavista Prime CBD
- Downtown CBD
- Expansion Zones
- Other Zones Porto
- Out of Town

INVESTMENT

RETAIL

OFFICES

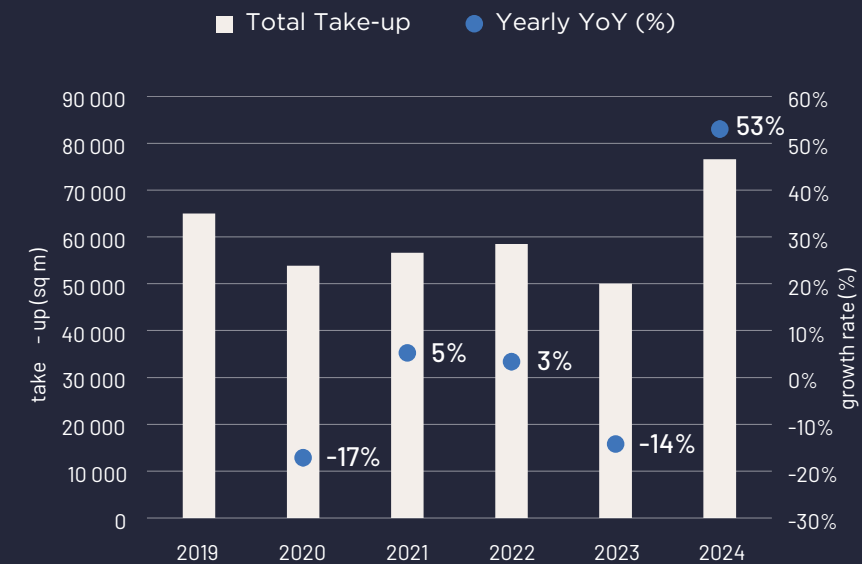
INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

PORTO OFFICE MARKET 2024

— Annual Evolution of Take-up —



MAIN
KPI'S
Year 2024

TAKE-UP

76,581
sq.m (YoY: +53%)

DEALS DONE

75
(YoY: +17%)

37

HIGHEST TAKE-UP ZONE 5

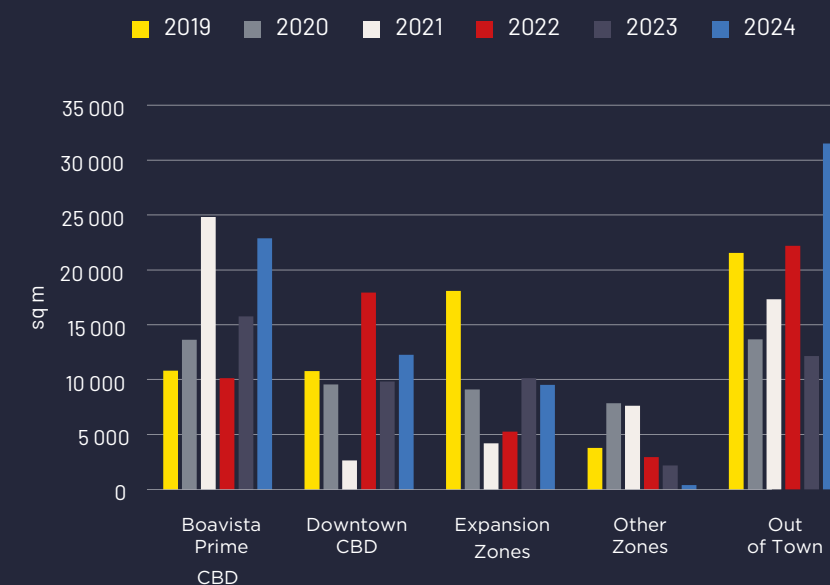
31,525
sq.m (YoY: +159%)

PRIME RENT

21€
(YoY: +17%)

SOURCE Savills

— Annual Take-up — BY MARKET ZONE



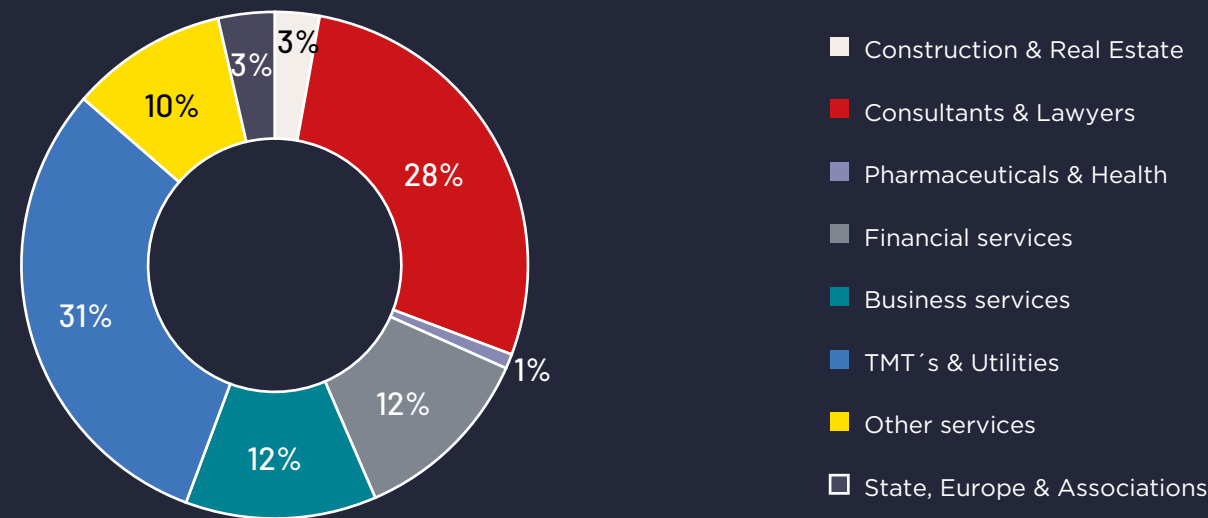
Overview 2024

» The Porto office market exhibited notable fluctuations from 2019 to 2024, with key zones showing dynamic shifts. Boavista Prime CBD take-up grew by 45% YoY in 2024 to reach 22,871 sqm.

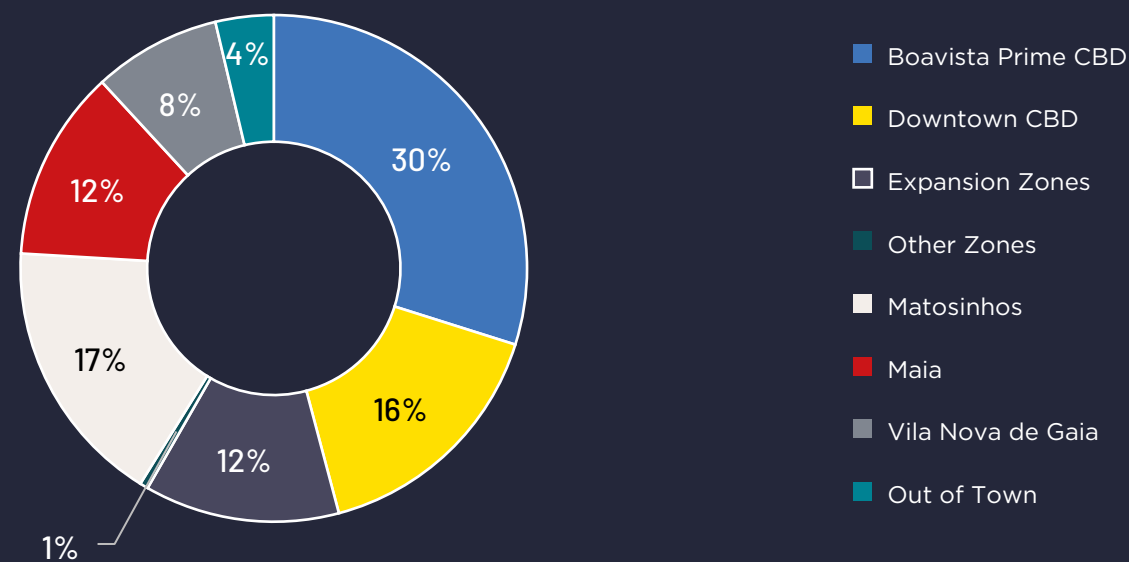
» Similarly, Out of Town rebounded significantly, with take-up surging by 159% YoY in 2024 to a high of 31,525 sqm. In contrast, Other Zones faced a sharp decline of 81% YoY to just 407 sqm in 2024.

» TMT's & Utilities and Consultants & Lawyers led the way with 31% and 28%, respectively, of the total take-up. Together, they contributed to 59% of the total market activity.

— Distribution of Take-up — BY BUSINESS SECTOR



— Distribution of Take-up — BY MARKET ZONE



— Top Deals Done* — IN 2024

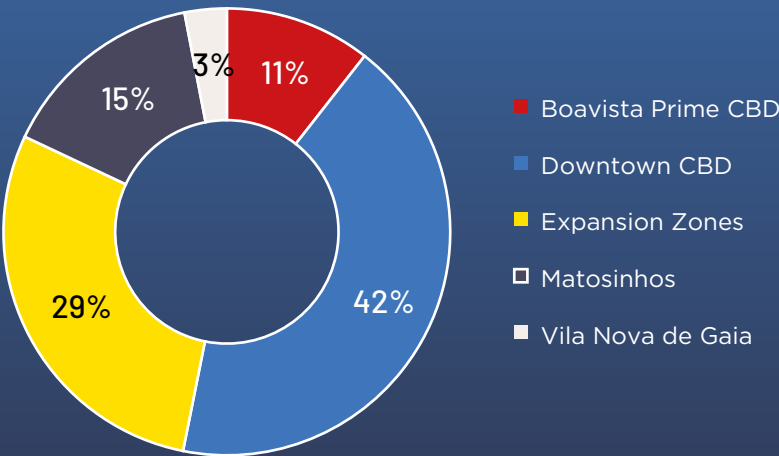
MARKET ZONE	BUILDING	GLA sq.m	TENANT	BUSINESS SECTOR	DEMAND REASON
Boavista Prime CBD	Mutual	10,371	Confidencial	Consultants & Lawyers	Relocation
Out of Town	Matosinhos Office Centre	3,946	Confidencial	Consultants & Lawyers	Relocation
Out of Town	Salvador Caetano	3,360	Salvador Caetano	Other services	-
Out of Town	Sousa Aroso 959	2,947	Alten	TMTs & Utilities	New company in Lisbon
Out of Town	Tecmaia Synopsis	1,835	Synopsis	TMTs & Utilities	Area expansion

* Only public deals considered.

— Building Completion —
IN 2024

BUILDING COMPLETIONS 2024	CONCLUSION DATE	MARKET ZONE	GLA (SQM)
Noto Office Center	Q1 2024	Matosinhos	6,387
Porto Business Plaza - Fase 2	Q3 2024	Downtown CBD	3,303
Boavista, 253 (Fidelidade)	Q4 2024	Boavista Prime CBD	5,500
Fábrica 390	Q4 2024	Out of Town	3,800
TecMaia - Lote 4	Q4 2024	Out of Town	6,900

— Distribution of Pipeline —
2025 - 2026



PIPELINE 2025-2026

110,353
sq.m — 13% already pre-let

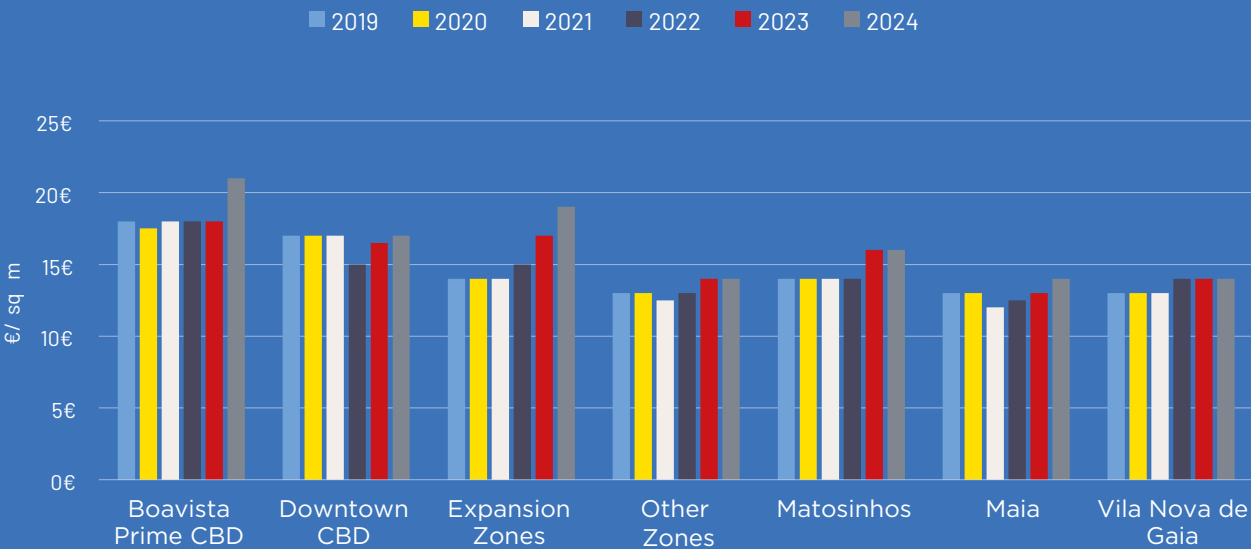
PIPELINE 2025

68,978
sq.m — 21% already pre-let

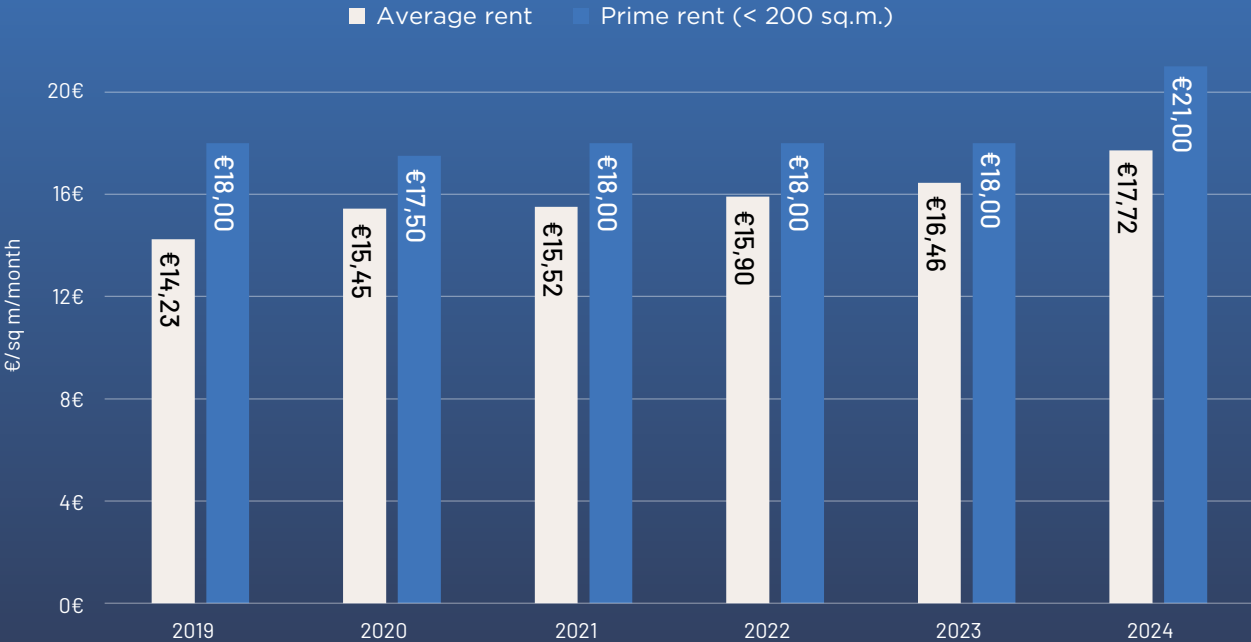
PIPELINE 2026

41,377
sq.m

— Prime Rents —
BY OFFICE MARKET ZONE



— Prime Rent vs. Average Rent —



Porto

Office Market 2024

What to expect in 2025

Porto's office market is gearing up for a transformative year. In 2025, underpinned by a strong pipeline of over 68,000 sq m of new supply. With 21% of this space already pre-let, developers are signalling optimism about sustained demand, particularly in key growth sectors like TMT's.

Boavista will continue to lead as the prime business district, commanding the highest interest for premium office spaces. Meanwhile, the Out of Town zone is expected to experience further growth, as companies leverage the cost efficiency and availability of high-quality offices in this area.

To highlight that areas such as the Expansion Zone and Matosinhos (Out of Town) are gaining growing significance. These regions are becoming more attractive due to new projects that offer amenities and features designed to draw and retain talent. With modern infrastructure and high-quality environments, they are set to become key locations in the near future.

As companies continue to embrace hybrid work models, there will be increased demand for flexible leasing options and customizable workspaces.

The city's development strategy will also prioritize modern, tech-enabled office spaces. Collaborative environments and sustainability-focused designs will be critical in capturing the interest of tenants looking to align their spaces with ESG commitments, further solidifying Porto's reputation as a progressive and adaptable market.

As a rising hub for startups and tech industries, Porto is expected to see an influx of demand for cutting-edge office solutions, reinforcing its position as a growth hotspot within Portugal.



Retail

Outlook 2024 | Trends 2025

Year 2024 | What to
expect for 2025?

Retail

Market 2024

— Retail Trade Turnover Index —



— Consumer Confidence Indicator —



Overview 2024

Scarce Supply, Strong Demand,
and Economic Resilience

- » The rise in rents is largely driven by the combination of limited supply and high demand. However, beyond this market dynamic, the significant growth of tourism has proven to be a decisive factor in accelerating this trend;
- » Economic recovery boosted consumer spending, mostly in retail and food services, despite inflationary pressures.;
- » Supply shortages caused delays in market entry and expansion

2024 *Highlights*

- » Positive outlook among operators and property owners over the year;
- » Ongoing demand for quality spaces in prime locations from active brands;
- » Shortage of high street and retail park supply to meet current demand;
- » Retail sales are sustained by tourist traffic in high street locations and urban accessibility in retail parks

2024 *Opportunities & Challenges*

- » The Fitness & Health sector is booming, with low-cost gyms and fitness facilities seeing rising demand. Supermarket transactions are also gaining importance in the retail market, while established brands expand their stores to meet growing demand.
- » Food Services & Drinks has seen the most openings, and discount stores are rapidly gaining popularity. These stores cater to price-sensitive consumers, driven by economic pressures such as inflation.
- » Retailers are focusing on value and differentiation to attract budget-conscious shoppers. Despite challenges, sentiment among operators and property owners remains positive, with strong demand for prime locations, though a shortage of retail space in high street and retail parks persists.
- » The upward trend in rents for high street retail, shopping centres, and retail parks can be largely attributed to a scarcity of available space, together with the strong demand driven by tourism and the economic recovery.

ACTIVE SECTOR & PREFERRED AREAS Year 2024

Most Active Sectors



**Food &
Beverage**



**Grocery
Retail**



**Low-cost
Gyms
& Fitness
Studios**



**Fashion &
Accessories**

Preferred Areas in Lisbon



**Baixa
Chiado**



**Avenida
da Liberdade**

Preferred Areas in Porto



Matosinhos



**Porto
Downtown**



Boavista

High Street Retail

» The stabilization and subsequent increase in high street rents can be attributed to limited supply in prime locations, coupled with strong demand from both brands and tourists. High tourist flows and a return to economic activity post-pandemic have kept demand high for these desirable spaces, further driving up prices.

» Scarce supply in prime areas means that available spaces fill quickly, maintaining or pushing rents upward.

Retail Parks

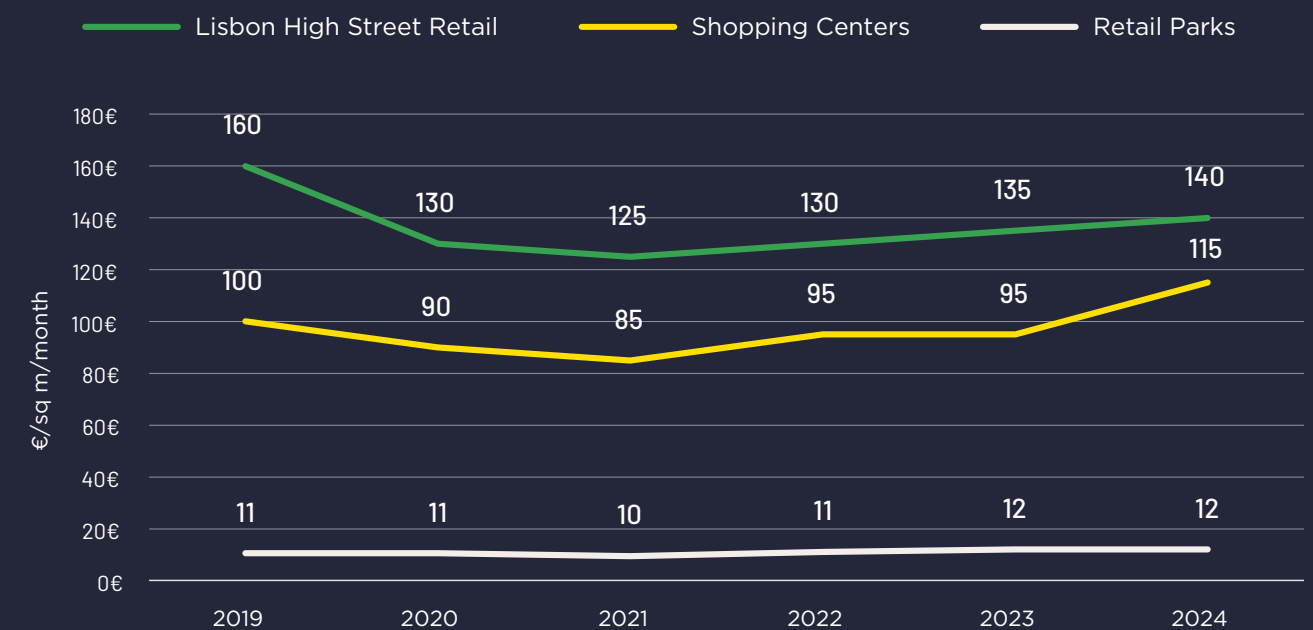
» Retail parks benefit from a strong demand for larger, more affordable spaces and a shift in consumer behaviour, with shoppers preferring convenient, easily accessible retail parks for large purchases. With evolving retail trends and changes in consumer habits, the demand for retail parks is growing, driving incremental rent increases.

Shopping Centres

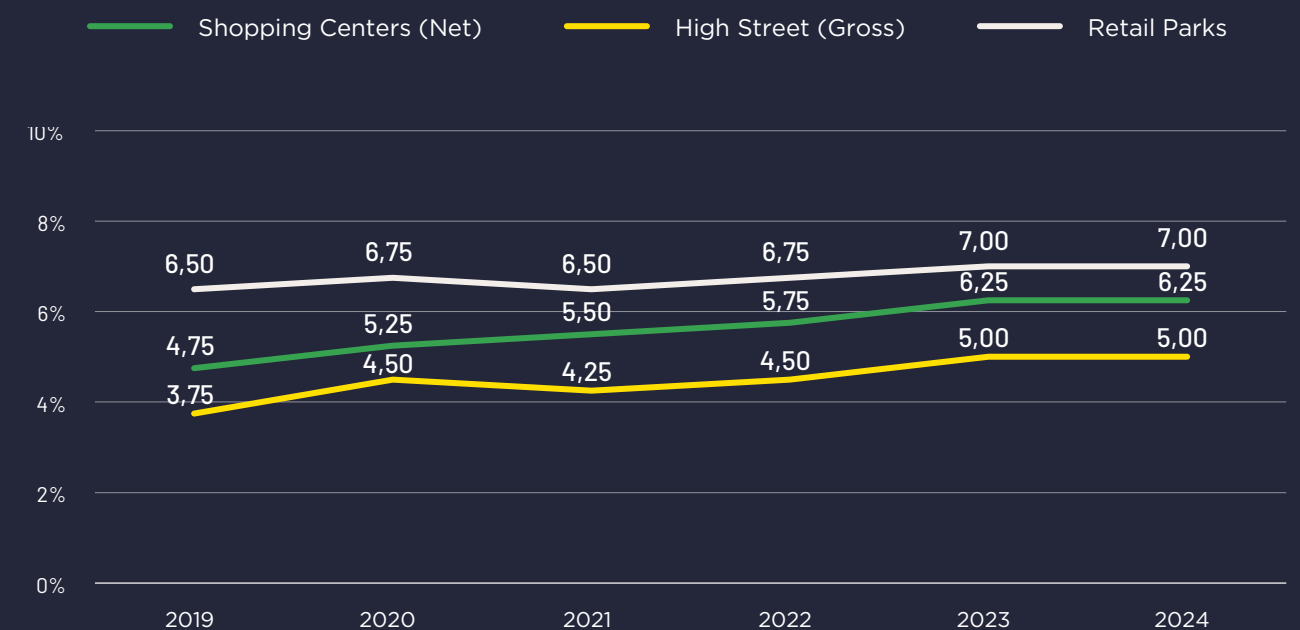
» Increases are likely due to the return of consumers to physical stores, along with a resurgence in retail activity.

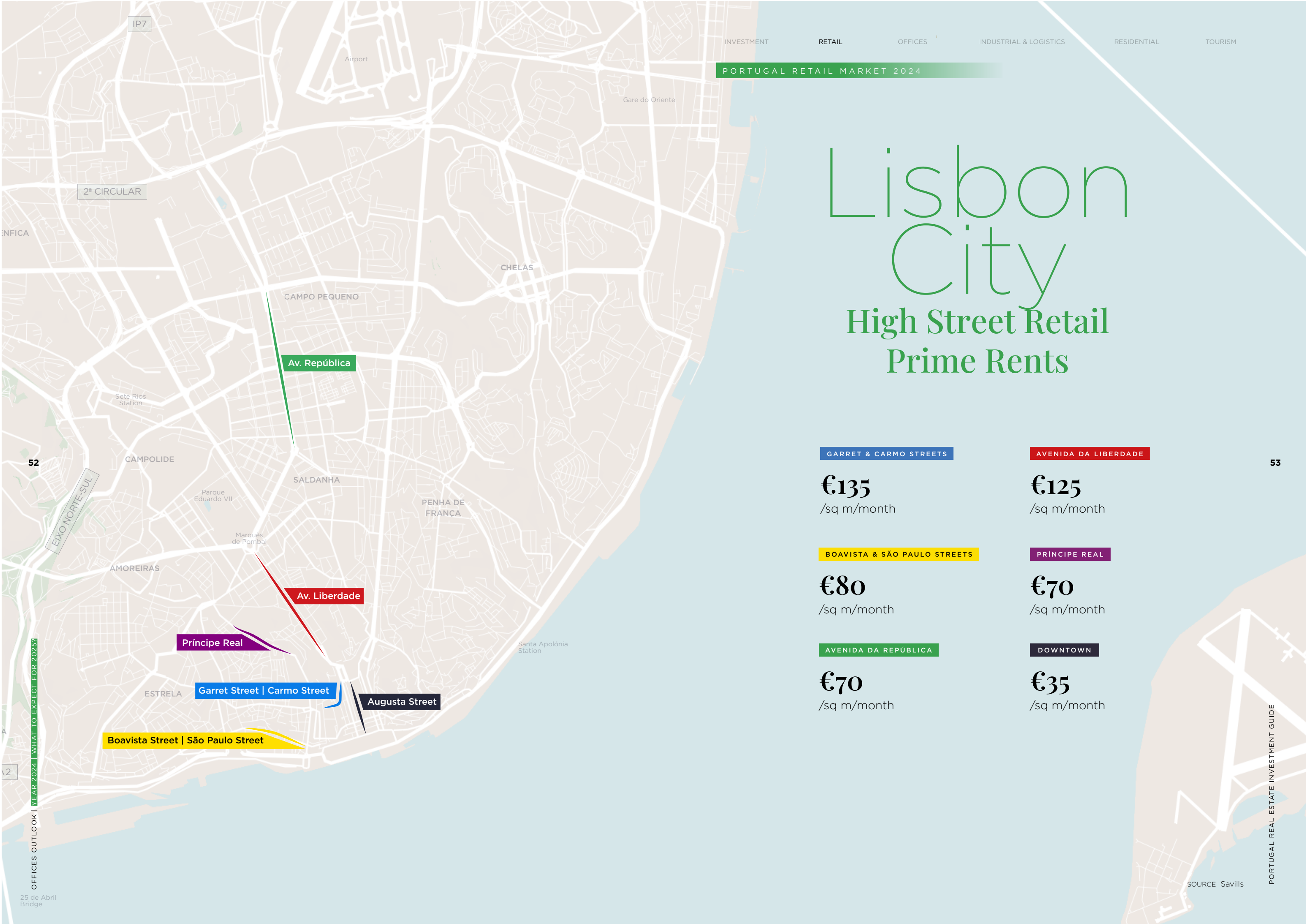
» The limited availability of retail space in high-demand shopping areas means property owners have the upper hand, allowing them to increase rents gradually.

— Evolution of Prime Rents —



— Evolution of Prime Yields —





INVESTMENT

RETAIL

OFFICES

INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

PORTUGAL RETAIL MARKET 2024

Lisbon City

High Street Retail

Prime Rents

GARRET & CARMO STREETS

€135
/sq m/month

AVENIDA DA LIBERDADE

€125
/sq m/month

BOAVISTA & SÃO PAULO STREETS

€80
/sq m/month

PRÍNCIPE REAL

€70
/sq m/month

AVENIDA DA REPÚBLICA

€70
/sq m/month

DOWNTOWN

€35
/sq m/month

Av. República

SALDANHA

Av. Liberdade

Príncipe Real

Garret Street | Carmo Street

Augusta Street

Boavista Street | São Paulo Street

SOURCE Savills

OFFICES OUTLOOK | YEAR 2024 | WHAT TO EXPECT FOR 2025?

25 de Abril
Bridge

PORTUGAL REAL ESTATE INVESTMENT GUIDE

MATOSINHOS

INVESTMENT

RETAIL

OFFICES

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RESIDENTIAL

TOURISM

PORTUGAL RETAIL MARKET 2024

Porto City

High Street Retail

Prime Rents

Matosinhos

Av. D. Afonso Henriques

ALDOAR

RAMALDE

PARANHOS

SANTA CATARINA STREET

€80
/sq m/month

ALIADOS

€50
/sq m/month

BOAVISTA

€25
/sq m/month

MATOSINHOS

€15
/sq m/month

FLORES STREET

€70
/sq m/month

CLÉRIGOS STREET

€40
/sq m/month

FOZ DO DOURO

€20
/sq m/month

Foz do Douro

Boavista

Av. da Boavista

FOZ DO DOURO

LORDELO DO OURO

MASSARELOS

Arrábida Bridge

Avenida dos Aliados

Clérigos Street

MIRA-GAIA

SÃO NICOLAU

Luís I Bridge

Flores Street

SANTO ILDEFONSO

Santa Catarina Street

TOP Transactions 2024

PORTFOLIO ATOS

SUPERMARKETS

€245 M | 49%

BUYER

Leadcrest Capital Partners

ALEGRO MONTIJO

SHOPPING CENTER

€178 M
| 57,139 sqm

BUYER

Lighthouse Properties

MODELO CONTINENTE PORTFOLIO

SUPERMARKETS

€150 M
| 72,600 sqm

BUYER

Slate Asset Management

PORTFOLIO RIOSUL SHOPPING
| LOURES SHOPPING | 8ª AVENIDA

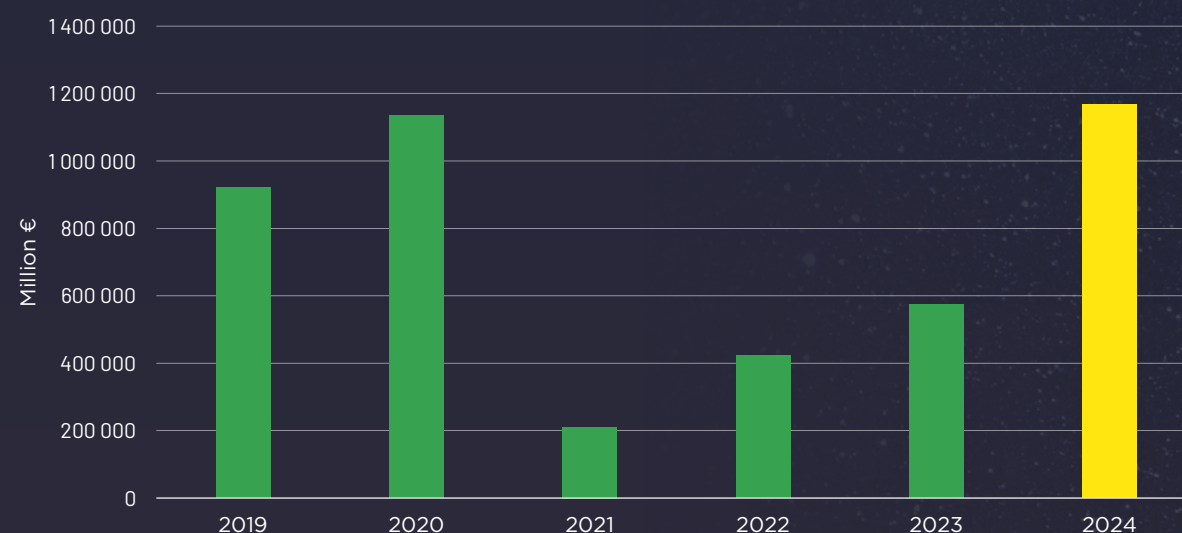
SHOPPING CENTER

€176.6 M
| 119,674 sqm

BUYER

Castellana Properties

— Retail Real Estate Investment Volume —



INVESTMENT

RETAIL

OFFICES

INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

PORTUGAL RETAIL MARKET 2024

What to expect in 2025

In 2025, Portugal's retail market will be defined by **limited supply and rising rents** in prime locations like Lisbon's high streets and shopping centres. Rents may exceed €140/sqm in tourist-heavy areas due to **strong demand and tourism growth**, while shopping centres and retail parks will also see modest increases driven by **local and international interest**.

Retail parks will continue attracting brands seeking **larger, more affordable spaces**.

Tourism will remain a key driver, boosting high-street activity and supporting **tourist-focused retail formats**. Consumers, still price-sensitive due to **inflation**, will favour **discount stores** and **value-driven offerings**. Retailers will enhance omnichannel experiences, blending online and in-store shopping to stay competitive.

Overall, **rising rents, tourism-driven demand**, with retailers focusing on **affordability, adaptability, and customer experience** in a constrained yet dynamic market.



Industrial & Logistics

Outlook 2024 | Trends 2025

Year 2024 | What to
expect for 2025?

Industrial & Logistics Market 2024

In 2024, Portugal's industrial and logistics market achieved a record-breaking performance, marking its strongest year to date

Total take-up reached approximately 793,000 sq m, representing a substantial surge of 68% compared to 2023 and a 77% increase compared to the average take-up of the past five years.

Driven by particularly strong performance in the second and fourth quarters, the national market significantly surpassed the 2023 figures, its robust dynamism and underscoring the continued attractiveness of Portugal as a key destination for industrial and logistics operations.

Logistics operations accounted for a substantial 75% share of the total occupied area throughout 2024 and a year-on-year increase of 42%, demonstrating the undeniable and continued dominance of logistics within the Portuguese market.

The Greater Lisbon and Greater Porto logistics markets closed 2024 with a total stock of 4.7 million sq m, presenting an estimated vacancy rate of just 2.60%. This already low figure is expected to undergo further compression throughout 2025, exacerbating the imbalance between demand and available supply. At the end of 2024, Savills estimated a gap of 699,275 sq m between demand and available supply, also considering the pipeline still in the speculative phase. This discrepancy underscores the strong pressure on the market and the urgent need for new supply to meet demand.

TOTAL TAKE-UP

792,510
sq.m (YoY: +68%)

LOGISTICS TAKE-UP

600,824
sq.m (YoY: +42%)

INVESTMENT

RETAIL

OFFICES

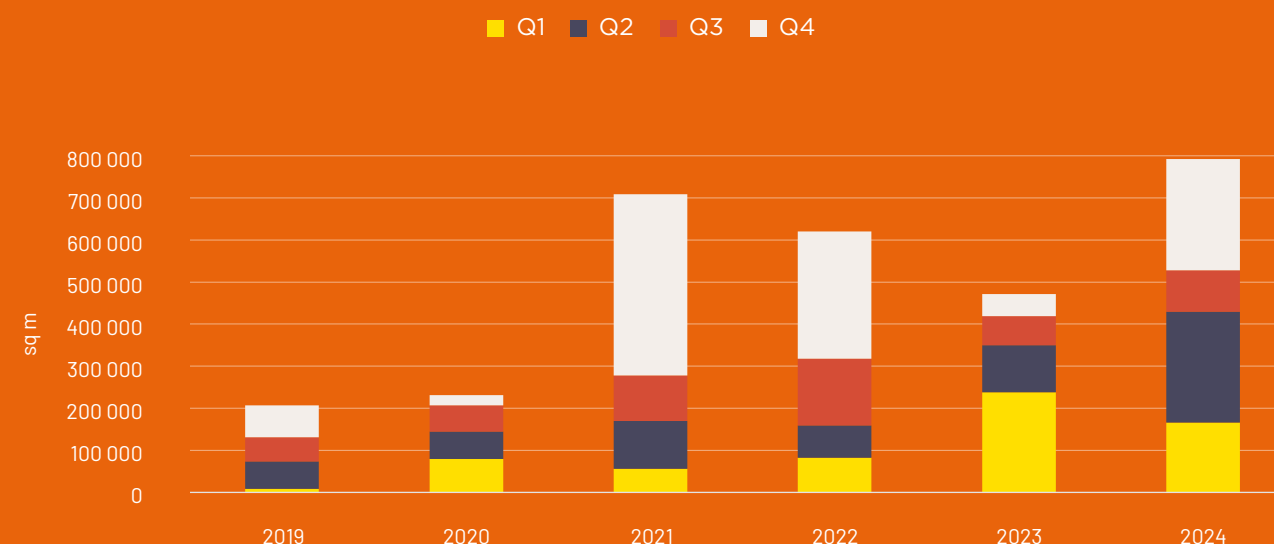
INDUSTRIAL & LOGISTICS

RESIDENTIAL

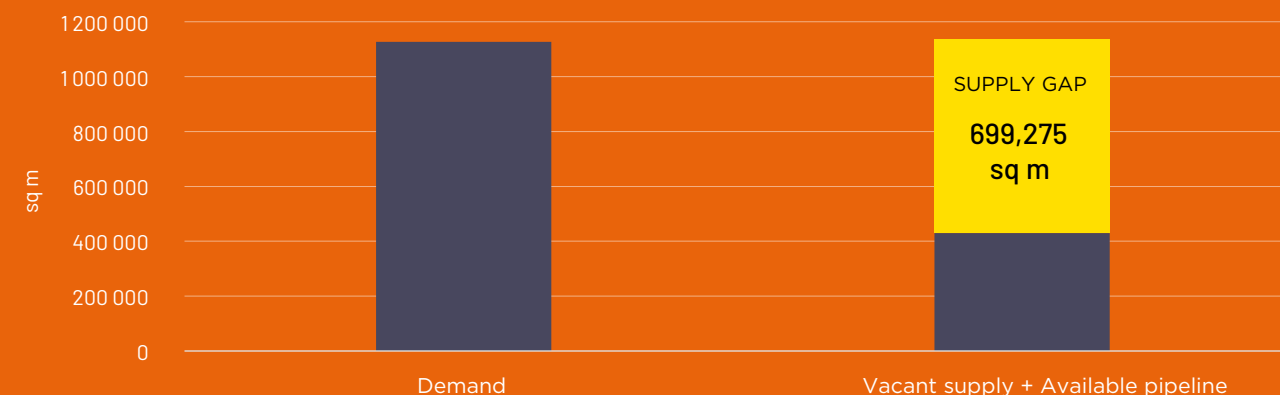
TOURISM

PORTUGAL I&L MARKET 2024

— Take-up Evolution Portugal —



— Portugal Logistics Market Inbalance —



LOGISTICS STOCK

4,711,311
sq.m

LOGISTICS VACANCY RATE

2.60
%

SOURCE Savills

Greater Lisbon

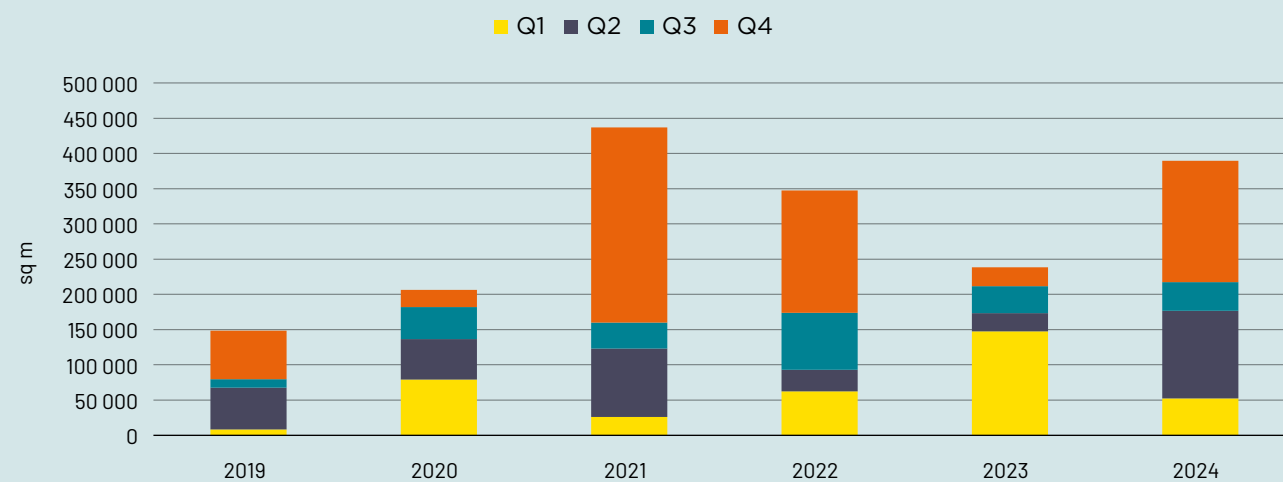
Industrial & Logistics Market 2024

Take-up approached 390,000 sq m, registering a strong growth of 63% compared to 2023 and exceeding the average of the last five years by 41%. Logistics operations continued to dominate the market, representing 71% of the total occupied area compared to the previous year.

With a total stock of 3.4 million sq m and a residual vacancy rate of just

3.20%, the Greater Lisbon market consolidates itself as the main driver of the national logistics market. Robust demand, estimated at over 1 million sq m, intensifies the pressure for the development of new projects and underlines the urgent need to increase supply to meet market needs, with the continued growth of operations requiring more space in the 3PL and Wholesale/Retail sectors.

— Total Take-up —



TOTAL
TAKE-UP

389,347
sq m (YoY: +63%)

LOGISTICS
TAKE-UP

376,274
sq m (YoY: +71%)

LOGISTICS
STOCK

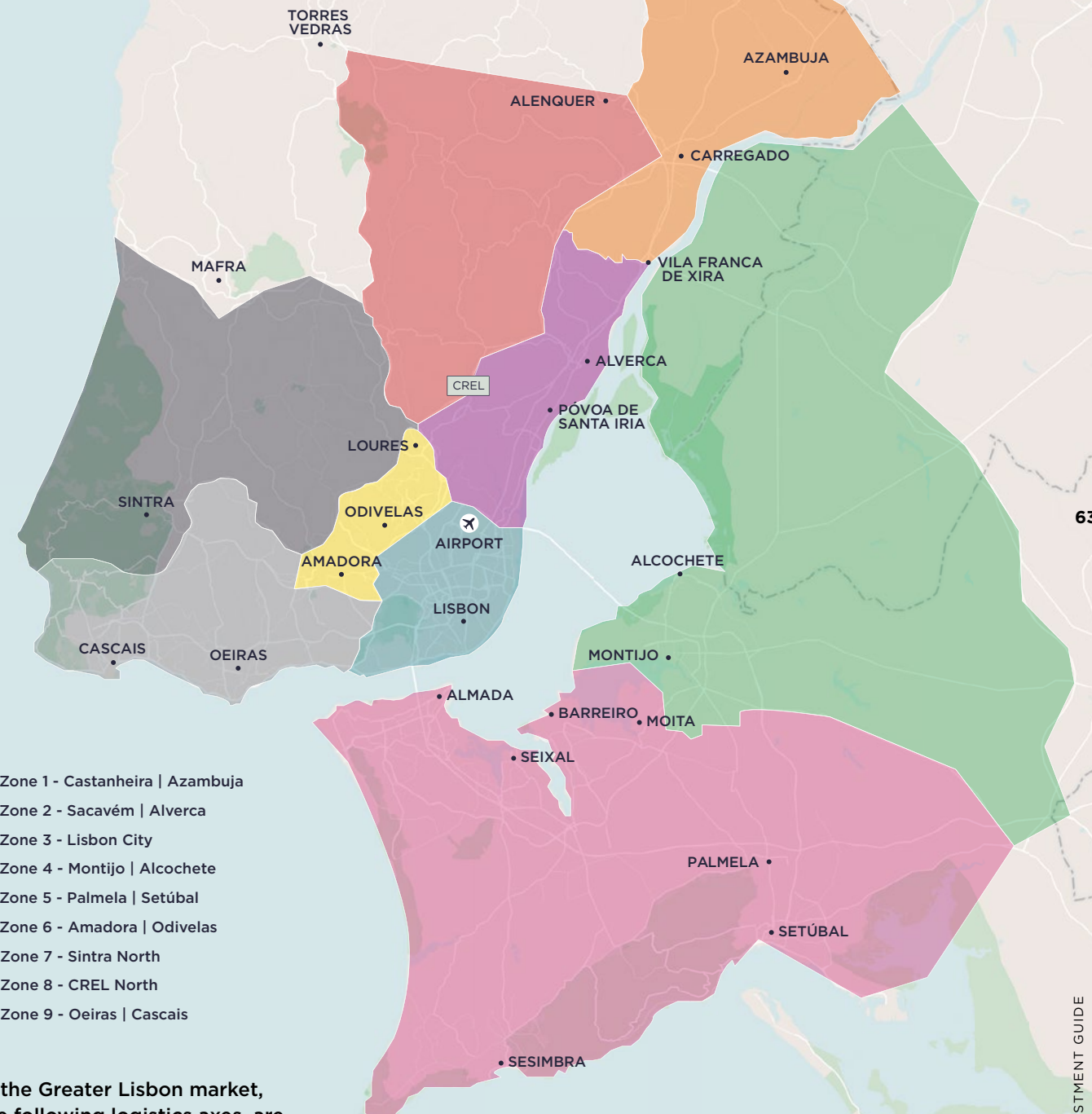
3,450,243
sq m

LOGISTICS
VACANCY RATE

3.20
%

INVESTMENT RETAIL OFFICES INDUSTRIAL & LOGISTICS RESIDENTIAL TOURISM

GREATER LISBON I&L MARKET 2024



In the Greater Lisbon market, the following logistics axes, are subdivided into:

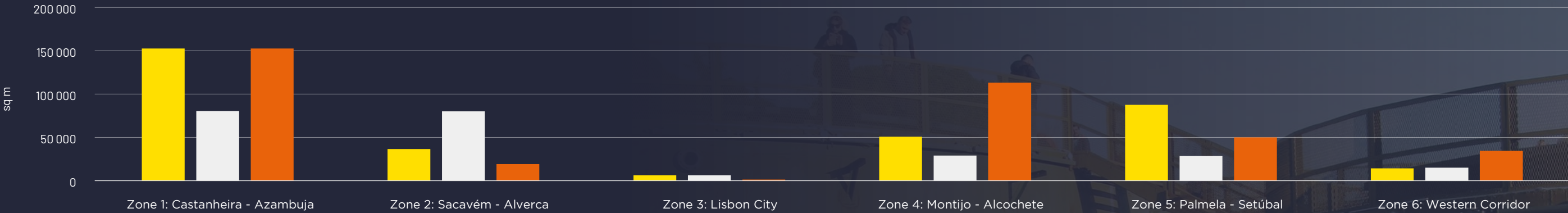
Zone 2 Sacavém-Alverca also includes the CREL NORTH Zone.

Western Corridor: This axis comprises the following sub-zones: Zone 6: Amadora | Odivelas; Zone 7: Sintra North; Zone 9: Oeiras | Cascais

SOURCE Savills

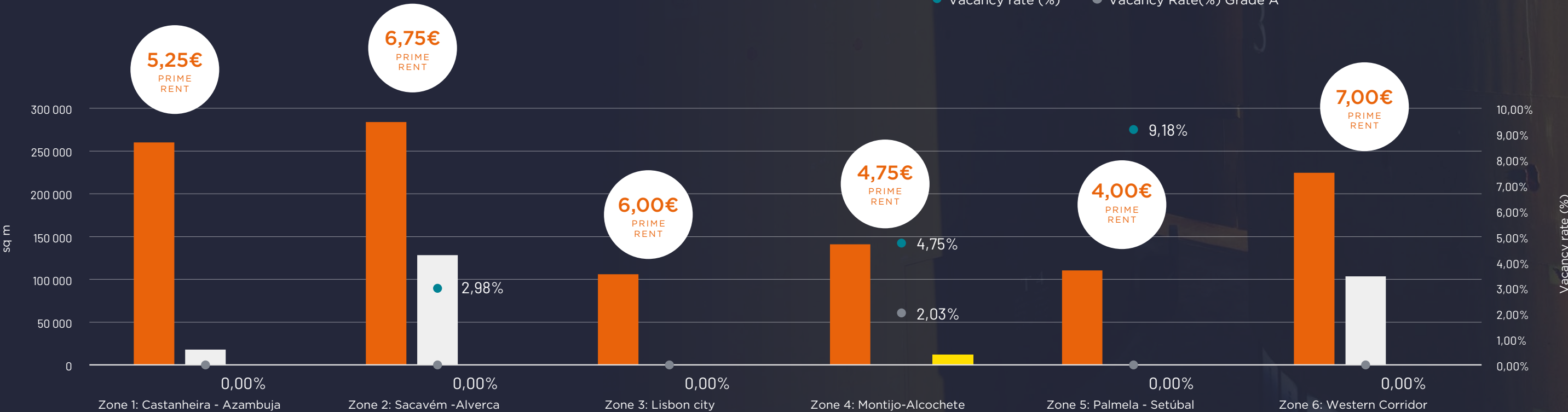
— Take-up —
BY MARKET ZONE

■ 2022 ■ 2023 ■ 2024



— Greater Lisbon Market Dynamics —

■ Demand ■ Available Pipeline ■ Available supply Grade A
● Vacancy rate (%) ● Vacancy Rate(%) Grade A



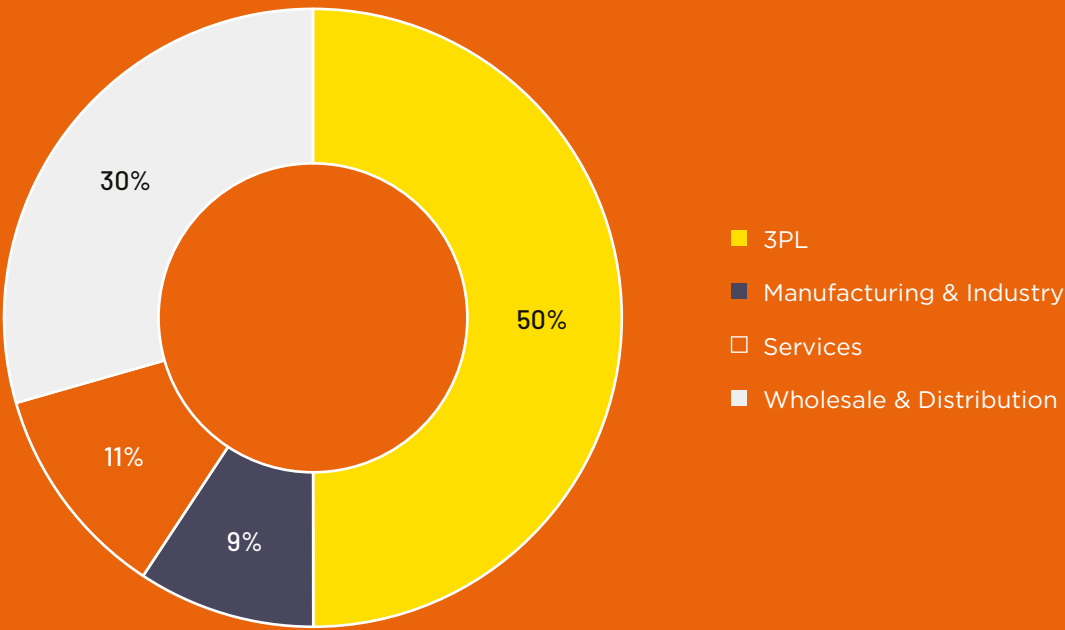
Take-up in 2024 was mainly driven by area expansion operations led by the logistics sector. In recent years, the logistics market in Portugal has demonstrated exponential growth, driven by a mix of factors, including the e-commerce boom, the increasing demand for more resilient and efficient supply chains, and the country’s strategic geographical location as a gateway to Europe and a link to international markets.

Greater Lisbon has consolidated its position as one of the main logistics hubs nationwide, concentrating a high number of logistics operators, distributors, transport companies. The growth and expansion of its logistics axes, such as Castanheira-Azambuja and Montijo-Alcochete, reflect this dynamic.

The Castanheira - Azambuja axis, designated as the Prime Zone, led take-up in 2024, absorbing 41% of the total volume, with the Montijo-Alcochete axis following at 30%.

The performance of the Castanheira-Azambuja and Montijo-Alcochete axes over the past three years indeed reflects their strong attractiveness, grounded not only in crucial factors of connectivity and accessibility but also in the implementation of new projects that raising the standards of quality and sustainability.

— Demand Segment —



— Top Logistics Deals Done* —

YEAR 2024

MARKET ZONE	BUILDING	GLA sq.m	TENANT	DEMAND MOTIVATION
Zone 1: Castanheira Azambuja	PLLN	120,000	Confidential	Area Expansion
Zone 4: Montijo Alcochete	Benavente Logistic Park	43,502	Torrestir	Relocation
Zone 4: Montijo Alcochete	Benavente Logistic Park	29,490	CTT	Area Expansion
Zone 5: Palmela Setúbal	Entrepосто Logística - Setubal	20,000	Atlantic-cargo	Area Expansion
Zone 1: Castanheira Azambuja	PLLN	16,007	DSV	Relocation
Zone 4: Montijo Alcochete	Estrada das Fontainhas	13,000	Santos e Vale	Area Expansion
Zone 1: Alverca Azambuja	PLLN	12,502	Marmedsa Noatum Maritime	Area Expansion

* Only public deals considered.

SOURCE Savills

2024

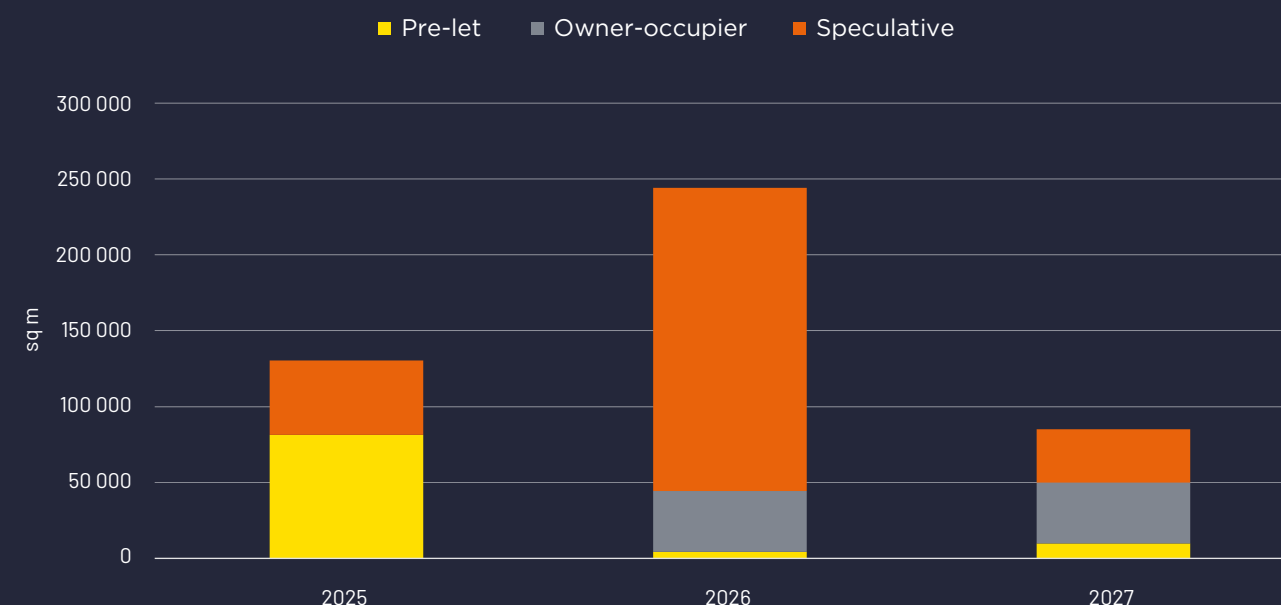
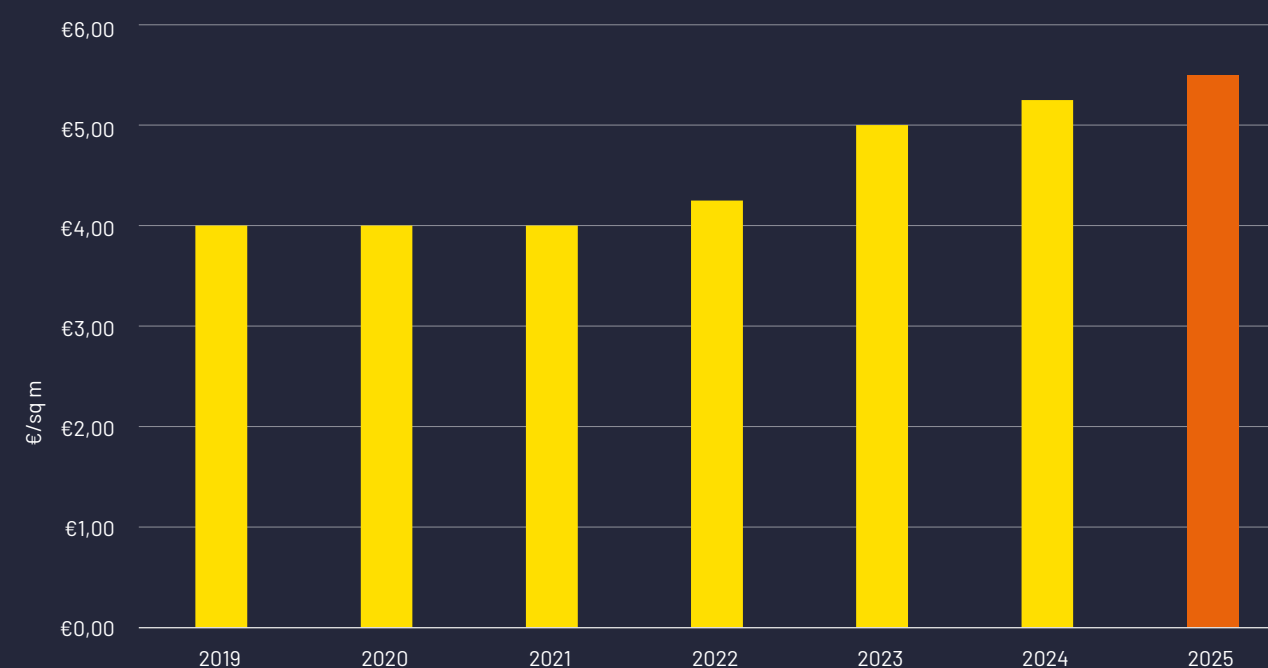
+950,000 sq m**Total Demand****LESS THAN
1 YEAR OF
TAKE-UP****COVERS THE
CURRENT
AVAILABLE
PIPELINE**

The logistics market in the Greater Lisbon area is experiencing unprecedented demand, with over 950,000 sq m currently sought mainly by 3PL's and Wholesale/Distribution business operations.

The available pipeline falls short of this demand, representing less than one year's worth of take-up. This imbalance is causing significant pressure on market dynamics, particularly in terms of rent prices.

At €5.25/sq m, prime rents in the Greater Lisbon area are already at historically high levels, reflecting the strength of the market and the scarcity of premium logistics facilities. Forecasts for the first quarter of 2025 suggest further upward adjustments, driven by the intense competition for space and the rising costs of land, construction, and compliance with sustainability standards.

With sustainability becoming a critical factor in logistics real estate, the demand for green-certified buildings is also contributing to upward pressure on rents. Occupiers are willing to pay a premium for facilities that align with their ESG goals such as those incorporating renewable energy sources, efficient water management systems, and carbon-neutral operations.

— Pipeline Breakdown —**— Logistics Prime Rent —**

Greater Porto & North Region

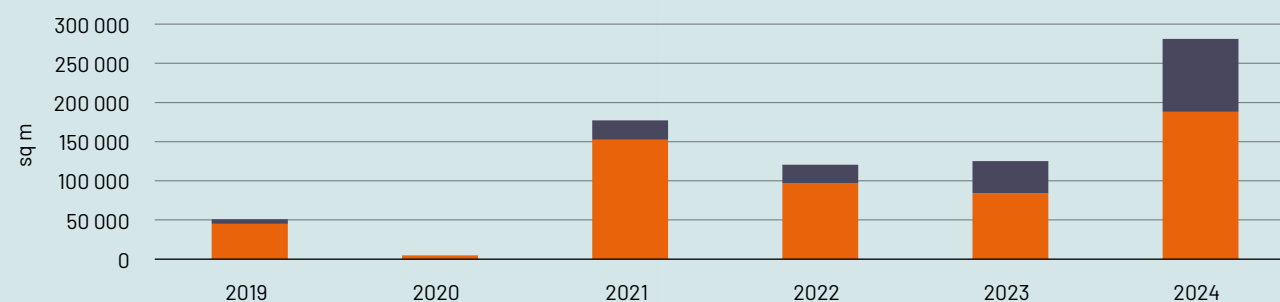
Industrial & Logistics Market 2024

In 2024, the Greater Porto and Northern region market achieved a remarkable year-on-year growth of 125%. A total of 281,333 sq m of space was occupied, with 68,350 sq m dedicated exclusively to logistics facilities. This performance positions 2024 as the most exceptional year on record, with the logistics stock reaching 1.2 million sq m, accompanied by a negligible vacancy rate of just 0.96%.

The logistics sector absorbed approximately 141,000 sq m, a 14% year-over-year increase. Twenty-one transactions were recorded, driven predominantly by 3PL and distribution firms seeking to expand their operational capacity.

— Total Take-up —

Greater Porto North Region



INVESTMENT RETAIL OFFICES INDUSTRIAL & LOGISTICS RESIDENTIAL TOURISM

GREATER PORTO I&L MARKET 2024

MAIN KPI'S Year 2024

TOTAL TAKE-UP

281,333
sq m (YoY: +125%)

LOGISTICS TAKE-UP

140,842
sq m (YoY: +14%)

LOGISTICS STOCK

1,261,068
sq m

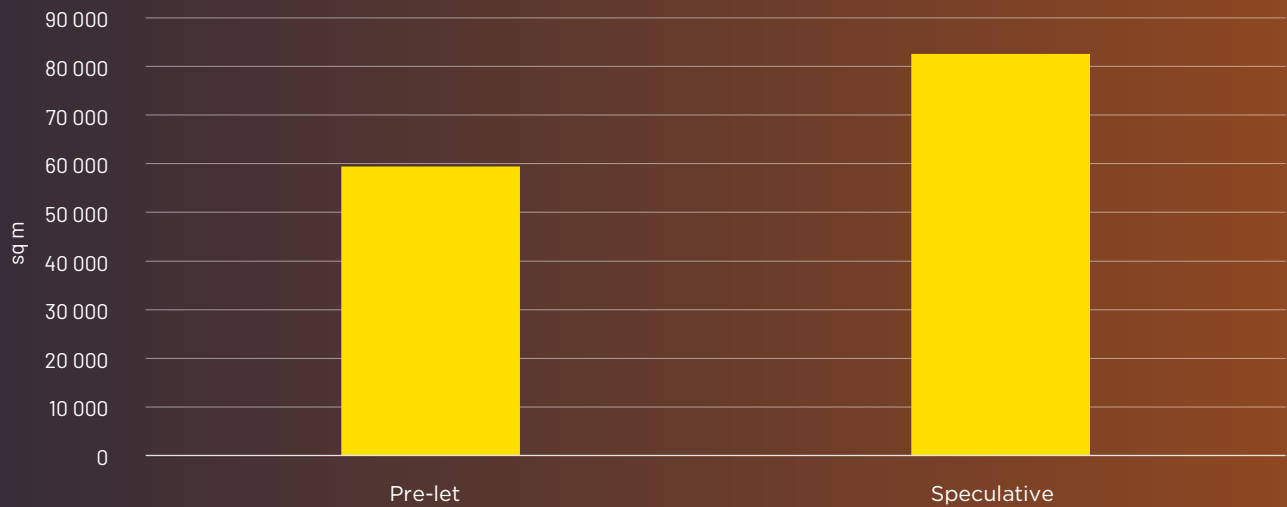
LOGISTICS VACANCY RATE

0.96
%

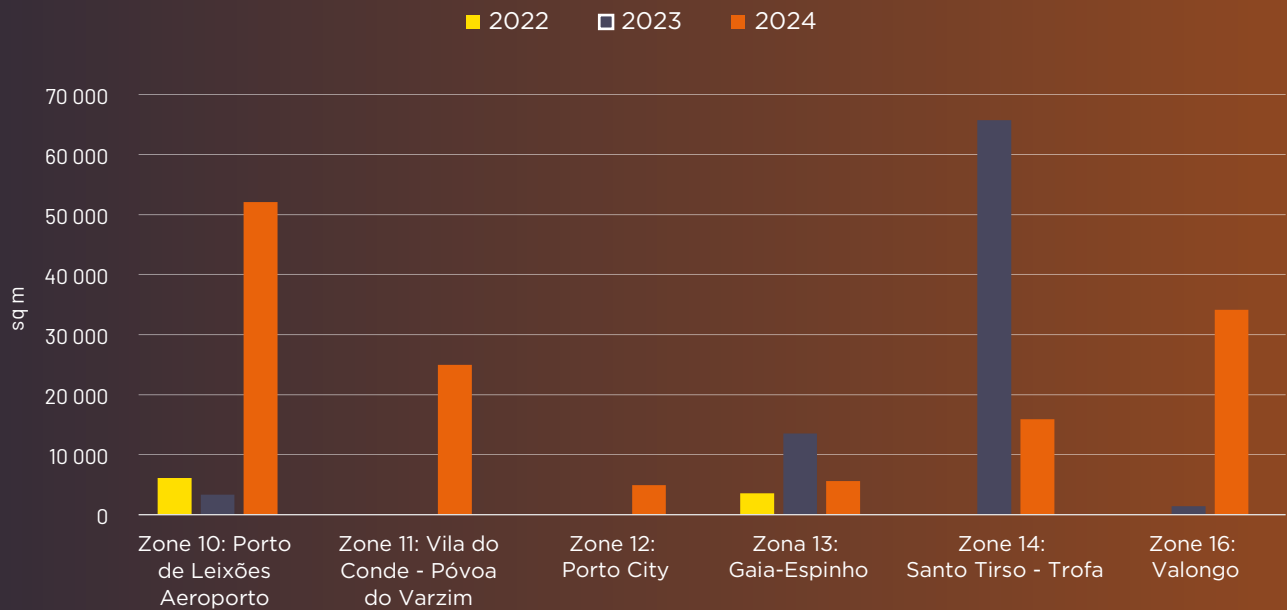
- Zone 10 - Port of Leixões | Airport
- Zone 11 - Vila do Conde | Póvoa de Varzim
- Zone 12 - Porto City
- Zone 13 - Gaia | Espinho
- Zone 14 - Santo Tirso | Trofa
- Zone 15 - East Porto
- Zone 16 - Valongo

SOURCE Savills

— Pipeline Breakdown —
YEAR 2025



— Take-up —
BY MARKET ZONE



2024

+230,000 sq m

Total Demand

LESS THAN
1 YEAR OF
TAKE-UP
COVERS THE
CURRENT
AVAILABLE
PIPELINE

The logistics axis between the Port of Leixões and the Airport recorded the highest take-up volume of the year, totaling 52,974 m², followed by the Valongo axis with 34,131 m², and the Vila do Conde - Póvoa de Varzim area. Across the board, all zones defined within the industrial and logistics map of Greater Porto and the Northern region experienced very positive performance growth, demonstrating strong and active demand in this market.

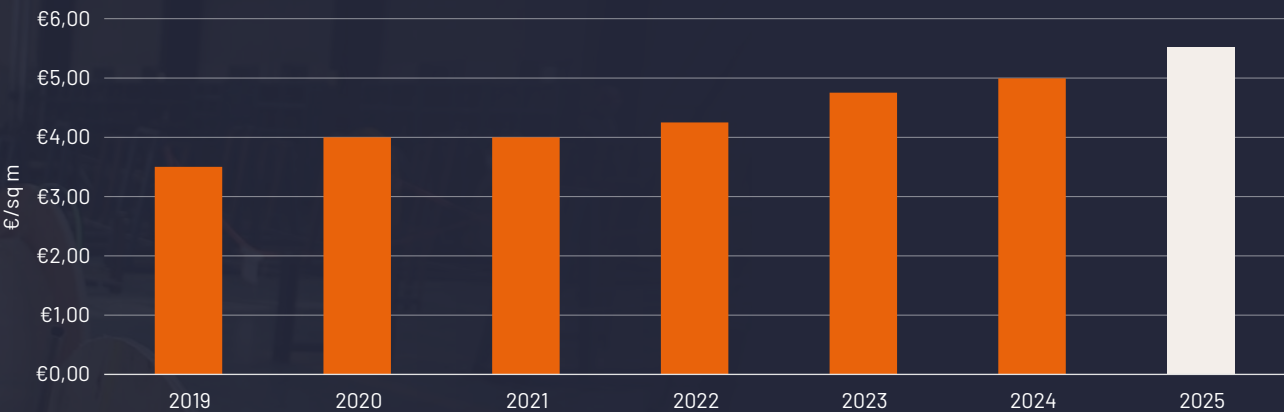
We project that demand in the Northern market surpasses 230,000 sq m. This robust appetite, when juxtaposed with the current available stock and the speculative pipeline under development, indicates a full absorption of supply within less than one year. This conclusion is based on the average take-up pace recorded over the last five years, which underscores the dynamism and sustained growth trajectory of the region.

Overview 2024

» In the pipeline, the Greater Porto region has four projects totaling slightly over 140,000 sq m, of which 42% of the area is already secured through pre-leasing contracts. Among these are the Aldi Platform, spanning 40,000 sq m for own-occupation, and the Panattoni Park Valongo project, covering 75,000 sq m.

» On an upward trajectory since 2022, the prime rent in the Greater Porto market closed the year at €5.00 per square meter. Projections suggest further growth throughout 2025, reflecting the region's increasing attractiveness and the sustained demand for high-quality logistics and industrial spaces.

— Logistics Prime Rent —



— Top Logistics Deals Done —

IN 2024

MARKET ZONE	BUILDING	GLA sq.m	TENANT	DEMAND MOTIVATION
Zone 16: Valongo	Panattoni Park	16,065	ALDI	Area Expansion
Zone 16: Valongo	Panattoni Park Valongo	12,492	Aosheng	New Company in Portugal
Zone 10: Porto de Leixões Aeroporto	Silva Aroso	9,722	Newonedirve	Relocation
Zone 10: Porto de Leixões Aeroporto	Maia	8,000	Santos e Vale	Area Expansion
Zone 14: Santo Tirso Trofa	Ermida Park	7,705	Kaleido	Relocation

What to expect in 2025

Portugal has emerged as one of the most attractive logistics destinations in Europe. While it faces challenges, the outlook for 2025 is marked by opportunities for both occupiers and investors:

Strong demand for logistics services continues, driven by operators' outsourcing strategies and broader economic factors, with the nearshoring trend gaining momentum.

The pace of **new product development** is not keeping up with the immediate demand that requires urgent attention. As the market matures, the gap between prime and secondary products is expected to widen, with prime rents projected to reach €5.50 per square meter in the next months, reflecting a 10% increase from current levels.

Sustainability and Green Certification as Competitive Differentiators: Real estate investors and logistics occupiers are prioritizing sustainable properties, certifications such as BREEAM or LEED, and the integration of renewable energy sources. Projects that fail to meet

these standards may struggle to attract tenants or achieve competitive values;

Multi-Use Logistics Parks:

Integrated logistics parks combining warehousing, office spaces, and retail are gaining traction, offering complete solutions for occupiers. Additionally, emerging formats like self-storage, outdoor storage, light industrial facilities, and business parks are generating new demand that warrants careful monitoring.

Digitization and Logistics Automation:

The adoption of technologies such as artificial intelligence, robotics, and the Internet of Things (IoT) will be essential for optimizing operations and improving efficiency in warehouses. Investments in automated warehouses and digital inventory management are expected to increase.



Residential

Outlook 2024 | Trends 2025

Year 2024 | What to
expect for 2025?

Residential Market 2024

By November 2024, construction costs showed a year-on-year increase of 3.4%,

driven primarily by an 8.1% rise in labour costs, while material costs saw a modest decline of 0.3%.

These cost dynamics have been shaped by various factors, including global supply chain disruptions, heightened demand for construction materials, and a constrained labour market.

The persistent rise in expenses presents significant challenges for developers and investors, potentially squeezing profit margins and affecting housing affordability within Portugal's real estate market.

November 2024

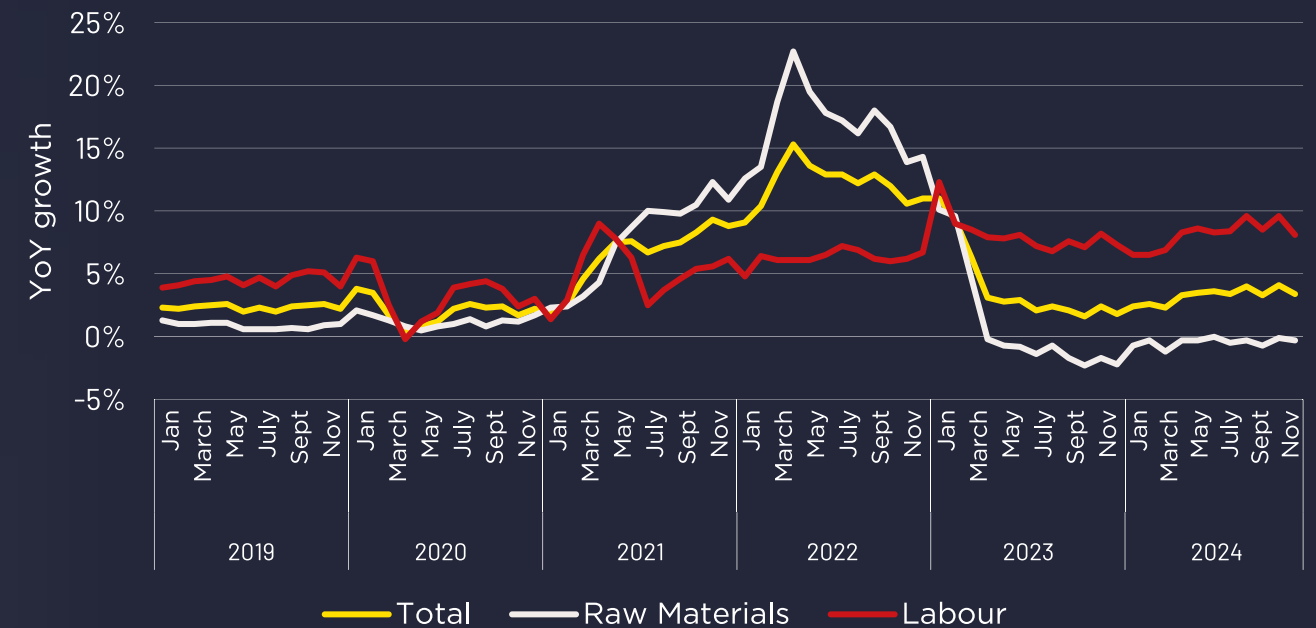
€2.2 billion

in loans granted to individuals for house purchase

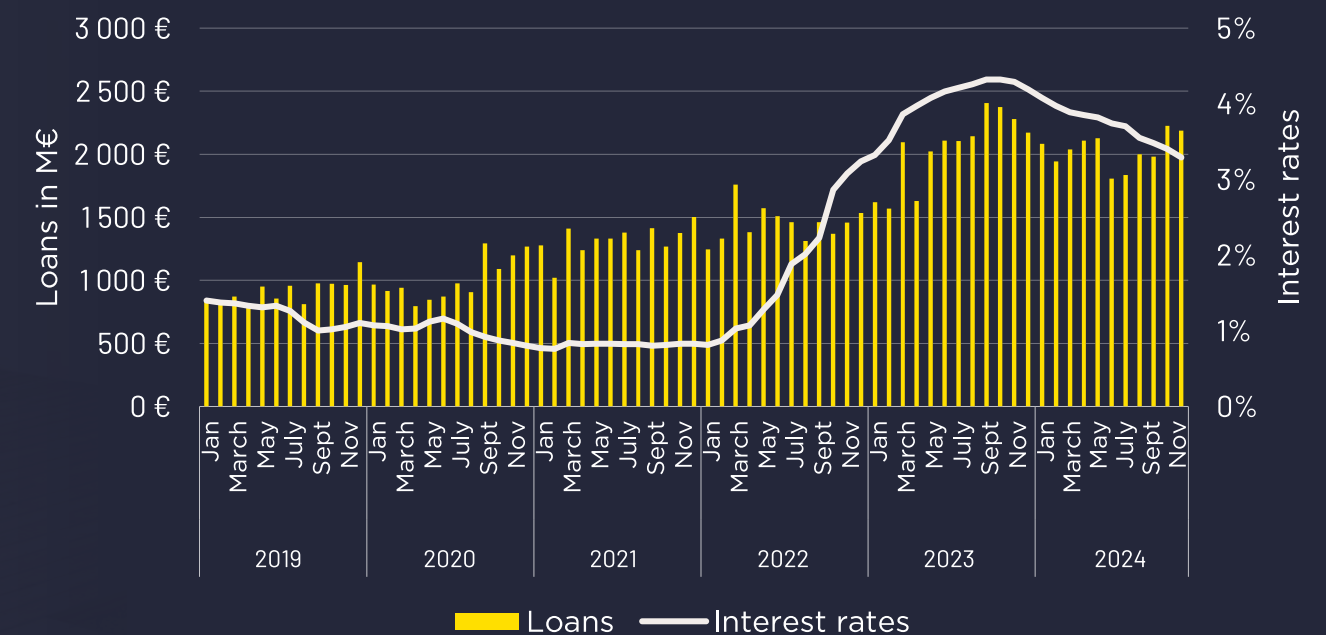
3.29%

interest rate on new housing loans granted

— Construction Costs —



— Loans Granted Vs Interest Rate —



In 2024, after a period of rising rates, the European Central Bank implemented several rate cuts throughout the year, leading to a gradual decrease in interest rates.

By Nov 2024, the average interest rate had declined to approximately 3.29%, from over 4% in 2023.

This reduction contributed to a resurgence in housing loan demand. These developments indicate a more favourable environment for homebuyers in Portugal, with lower mortgage costs and increased loan availability throughout 2024, driven by optimism about the economy and falling interest rates.

2024's Key notes

147,240 houses
sold in Portugal in 2024 (YoY: +12%)

LISBON

Housing sales seem to be stabilizing or recovering slightly after recent challenges.

The annual YoY increase seems relatively stable, hovering between 3-5% in most years throughout the last decade.

Ongoing price growth for both new and used supply, with high-end properties consistently seeing higher price increases compared to middle-end market properties.

PORTO

2024 shows recovery, with sales rising again, indicating a potential stabilization or a slight market rebound.

The market has experienced consistent annual price increases, with YoY growth around 3-7%.

New properties have generally seen higher YoY increases.

— Houses sold in Portugal —



Greater Lisbon

Residential Market 2024

HOUSES SOLD

9,792

in Lisbon
+14% YoY

USED SUPPLY

5,568 €/sqm

Average Asking Price
+3,8% YoY

NEW SUPPLY

8,079 €/sqm

Average Asking Price
+3,7% YoY

USED SUPPLY

6,522 €/sqm

High-end Asking Price
+4,7% YoY

NEW SUPPLY

9,036 €/sqm

High-end Asking Price
+2,8% YoY

INVESTMENT

RETAIL

OFFICES

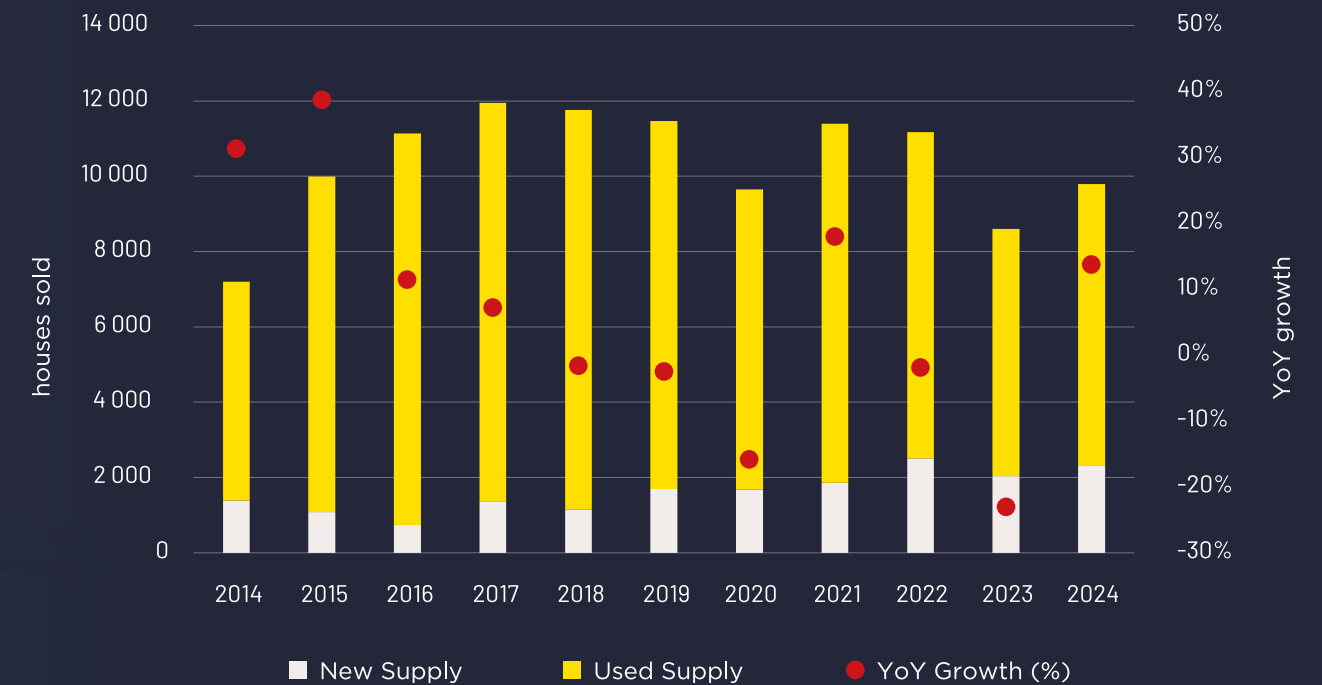
INDUSTRIAL & LOGISTICS

RESIDENTIAL

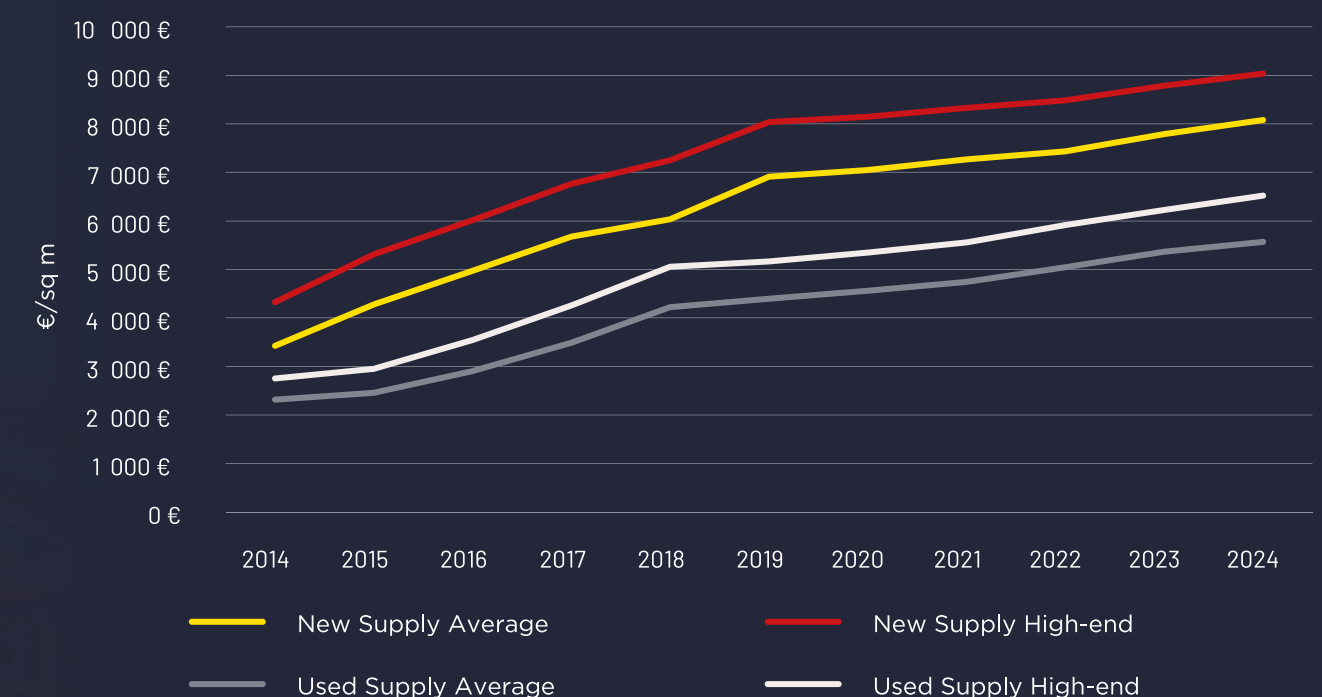
TOURISM

MARKET 2024 | TRENDS 2025

— Houses Sold in Lisbon —



— Evolution of Asking Prices in Lisbon —



SOURCE Savills analysing SIR

Greater Porto

Residential Market 2024

HOUSES SOLD

6,807

in Porto
+19% YoY

USED SUPPLY

4,003 €/sqm

Average Asking Price
+4,9% YoY

NEW SUPPLY

5,221 €/sqm

Average Asking Price
+8,9% YoY

USED SUPPLY

4,808 €/sqm

High-end Asking Price
+4,6% YoY

NEW SUPPLY

6,173 €/sqm

High-end Asking Price
+12,6% YoY

INVESTMENT

RETAIL

OFFICES

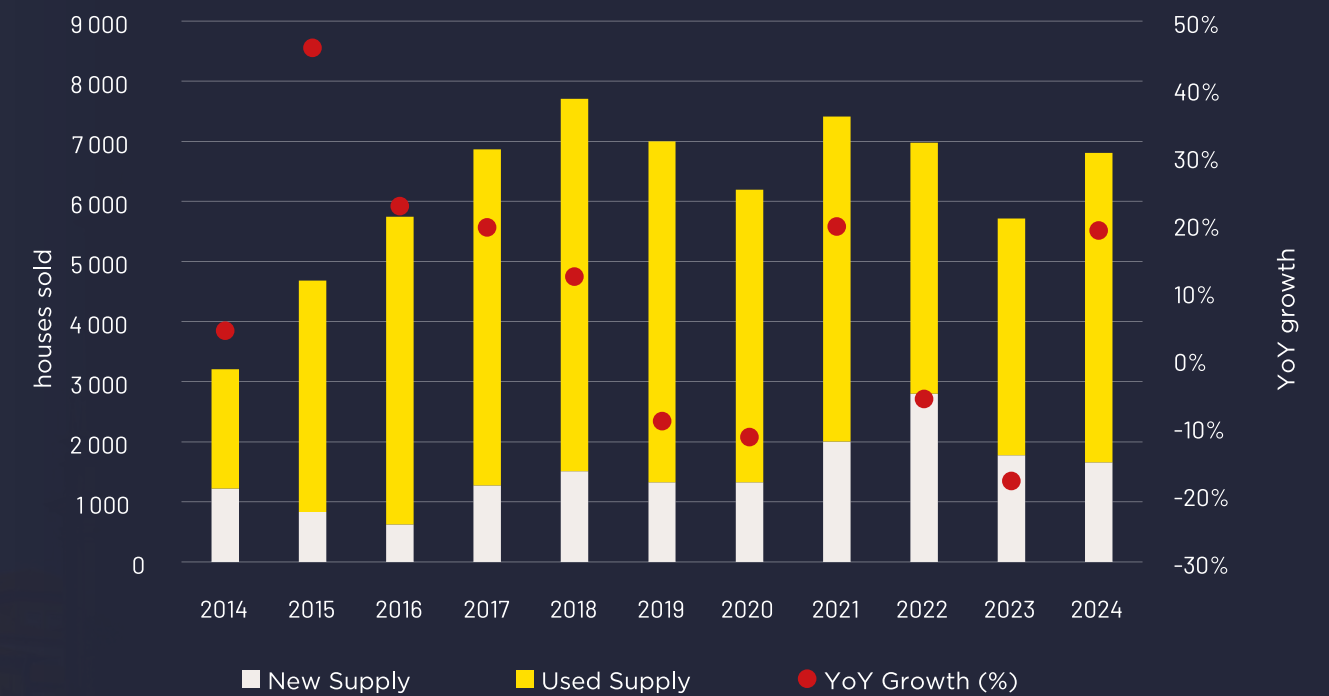
INDUSTRIAL & LOGISTICS

RESIDENTIAL

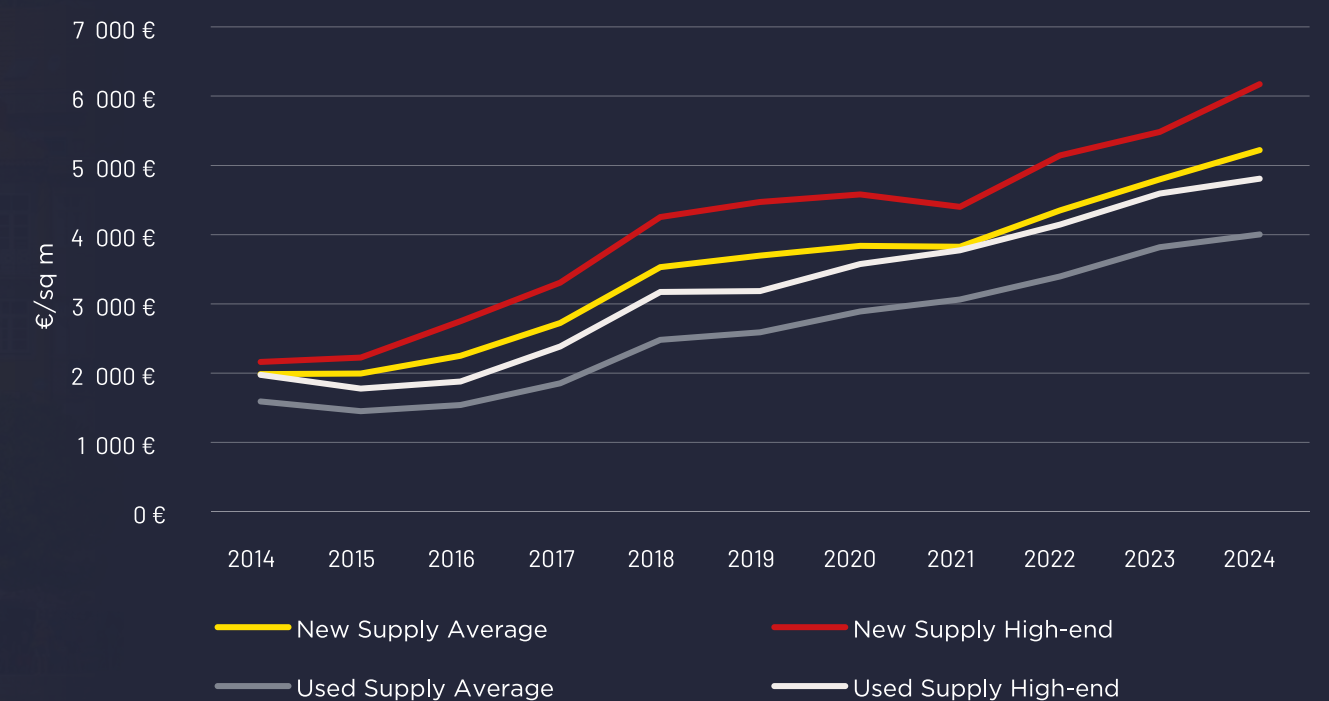
TOURISM

MARKET 2024 | TRENDS 2025

— Houses Sold in Porto —



— Evolution of Asking Prices in Porto —



SOURCE Savills analysing SIR

Rental Market

RENTAL CONTRAT

2,911

in Lisbon
+9,6% YoY

NEW SUPPLY

25,6 €/sqm

Asking Price
+2% YoY

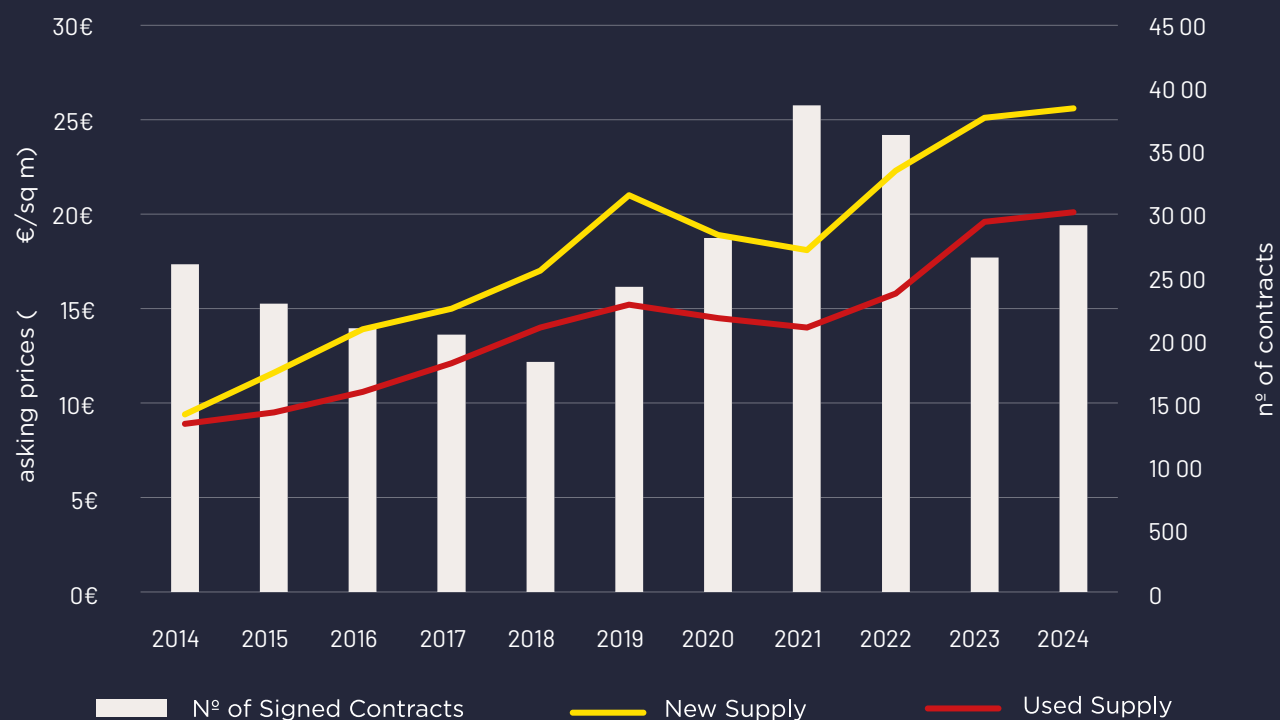
USED SUPPLY

20,1 €/sqm

Asking Price
+2,6% YoY

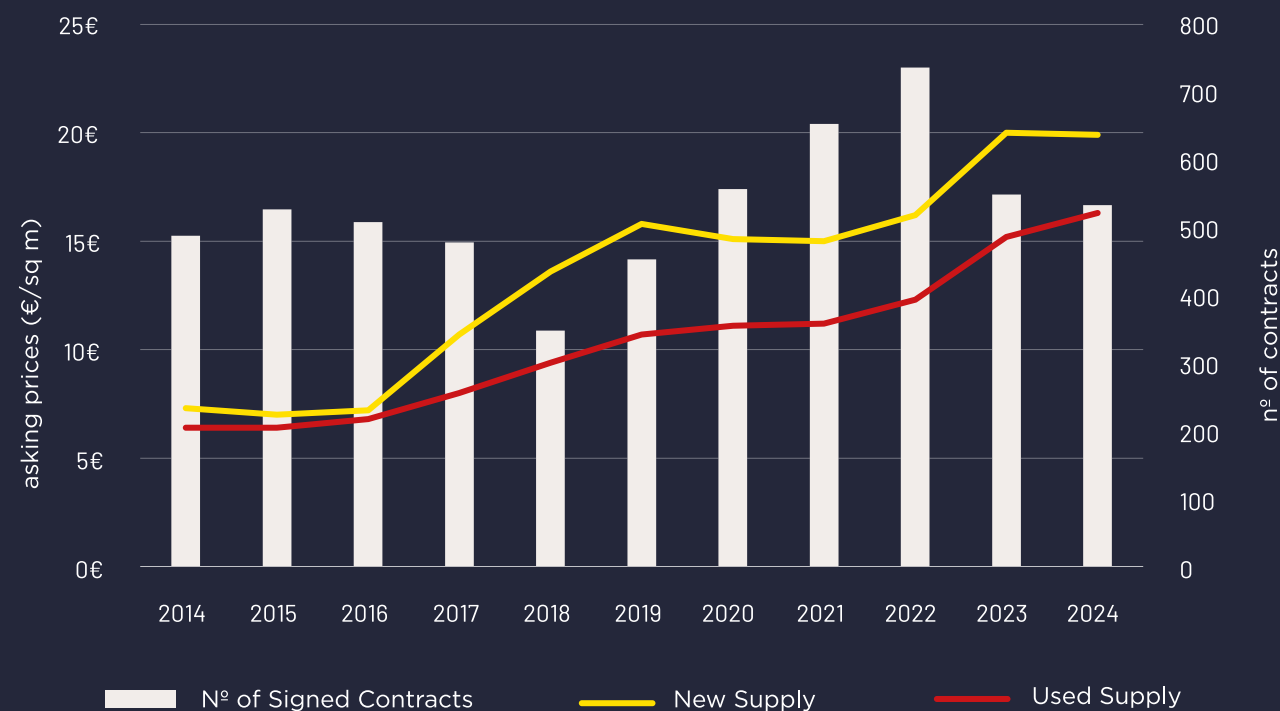
— Signed Contracts vs Asking Prices —

IN LISBON



— Signed Contracts vs Asking Prices —

IN PORTO



NEW RENTAL CONTRACTS

533

in Porto
-2,9% YoY

NEW SUPPLY

19,9 €/sqm

Asking Price
-0,5% YoY

USED SUPPLY

16,3 €/sqm

Asking Price
+7,2% YoY

Lisbon

Pipeline 2025

61 %

of residential properties currently under construction have already been sold

ALCÂNTARA €6,500 - €8,500	CAMPO DE OURIQUE €5,000 - €8,500
ALVALADE - AREEIRO €6,300 - €8,200	CHIADO €8,300 - €12,500
AMOREIRAS €7,500 - €11,500	HISTORIC ZONE €6,000 - €13,000
AV. DA LIBERDADE €9,500 - €12,500	LAPA - ESTRELA €7,800 - €10,500
PRÍNCIPE REAL €8,000 - €10,000	LUMIAR - TELHEIRAS €4,500 - €6,500
AVENIDAS NOVAS €7,700 - €12,000	MARVILA - BEATO €5,300 - €9,000
BAIRRO ALTO €5,500 - €7,000	OEIRAS €5,200 - €8,300
BELÉM €7,200 - €8,100	CASCAIS - ESTORIL €8,000 - €15,000
PARQUE DAS NAÇÕES €9,000 - €13,700	

Porto

Pipeline 2025

62 %

of all residential properties that
are currently under construction
in Porto city have already been sold

ORIENTAL
€3,500 - €7,800

CENTRAL
€3,900 - €8,200

SOUTH
€7,300 - €7,900

NORTH
€3,000 - €5,500

OCIDENTAL
€5,000 - €14,500

SOURCE Savills

SAVILLS PORTUGAL

What to expect in 2025

House sales in both Lisbon and Porto are expected to show steady but cautious growth. In Lisbon, after a modest recovery in 2024, sales will likely stabilize further in 2025, but affordability challenges and rising interest rates may still limit large-scale growth. In Porto, the recovery that began in 2024 will likely continue into 2025, though growth may be more moderate.

Construction costs will continue to rise, but likely at a much slower pace compared to the previous years. Labour costs will remain a driving factor in overall construction expenses, while material costs may see more stability.

Growth of the Luxury and High-End Market Driven by Investors.

The high-end and luxury market segment will continue to grow dynamically, fueled by increasing interest from both foreign and domestic investors. Legislative and fiscal stability will be a crucial factor in maintaining Portugal's attractiveness as a real estate investment destination.

Reshaping the Middle Market with an Emphasis on Infrastructure and Mobility. The middle segment will face greater challenges due to the need to align supply with demand in a sustainable manner. Addressing this demand will require the qualification of infrastructure and improvements in transport networks, enabling large-scale housing developments in suburban areas without compromising quality of life.

The rental market in Lisbon and Porto will likely continue to see upward pressure on prices, particularly for new supply. As demand remains high and supply is constrained, rental prices in both cities are expected to keep rising, though the rate of increase may slow down slightly in some areas.

Interest rates which have been rising over the past few years, are expected to remain relatively high in 2025. This could continue to affect household budgets, with some potential for slight rate reductions, but affordability challenges for mortgages will remain a concern.

Affordability challenges are expected to persist as housing and rental prices continue to rise in both Lisbon and Porto.



Tourism

Outlook 2024 | Trends 2025

Year 2024 | What to
expect for 2025?

Tourism

Market 2024

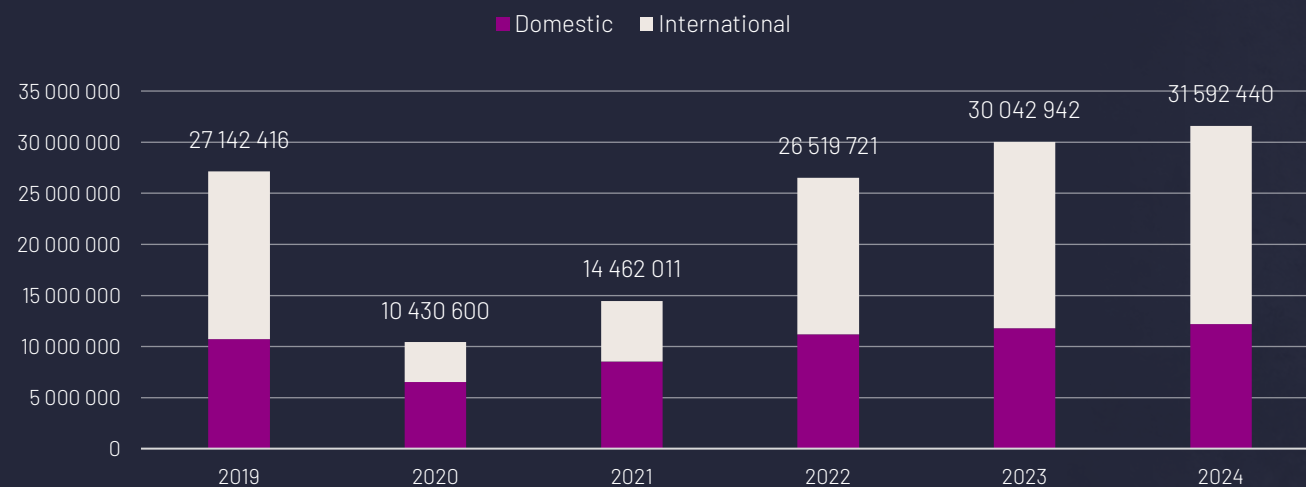
Guest numbers in Portugal saw continued growth in 2024, reaching an all-time high of 31.6 million, a +5.2% increase from 2023. Both domestic and international tourism contributed to this rise, with international visitors driving a larger share of the growth.

Domestic guest numbers grew by +3.5% YoY, rising from 11.8 million in 2023 to 12.2 million in 2024, reflecting steady demand from local travellers. Meanwhile, international tourism experienced a stronger growth of +6.7% YoY, jumping from 18.3 million to 19.4 million, underscoring Portugal's continued appeal to foreign visitors.

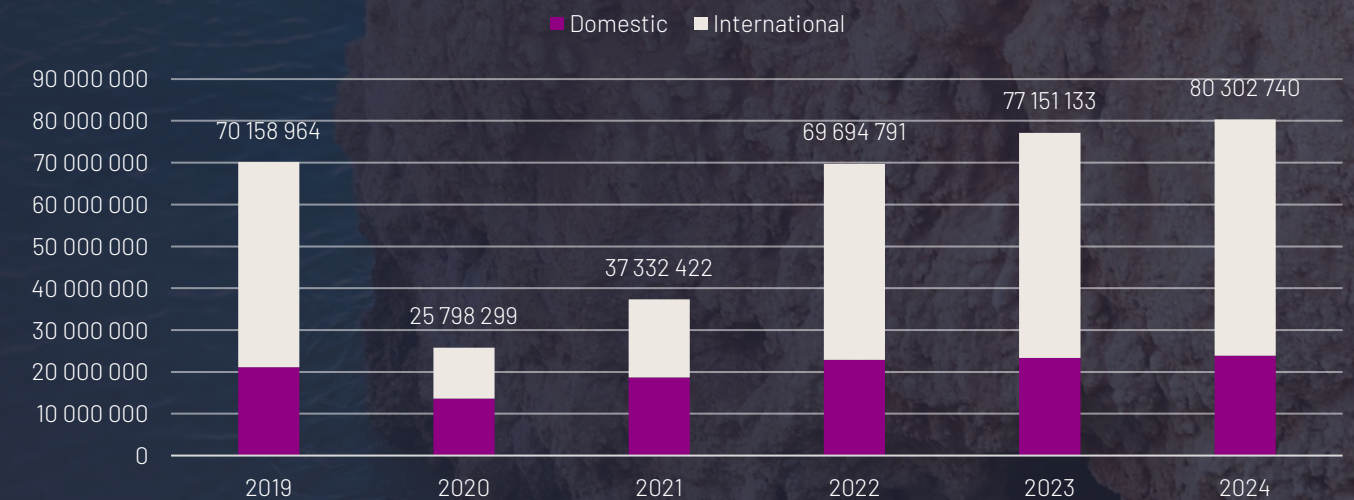
Although the overall growth rate in 2024 was slower than the post-pandemic surge in 2022-2023 (+18.4%), the +5.2% increase confirms that Portugal's tourism sector is not only maintaining its recovery but also expanding. International guest numbers in 2024 are up by +18.4% compared to 2019, while domestic guest numbers have increased by +13.8% over the same period.

Overall, the positive growth in 2024, particularly driven by international tourism, reinforces Portugal's status as a leading global destination, with record-breaking visitor numbers.

— Guest Evolution —



— Overnight Stays Evolution —



Overnight stays in Portugal continued their upward trend in 2024, reaching a record 80.3 million, a +4.1% increase from 2023. Both domestic and international stays contributed to this growth, though international demand played a bigger role.

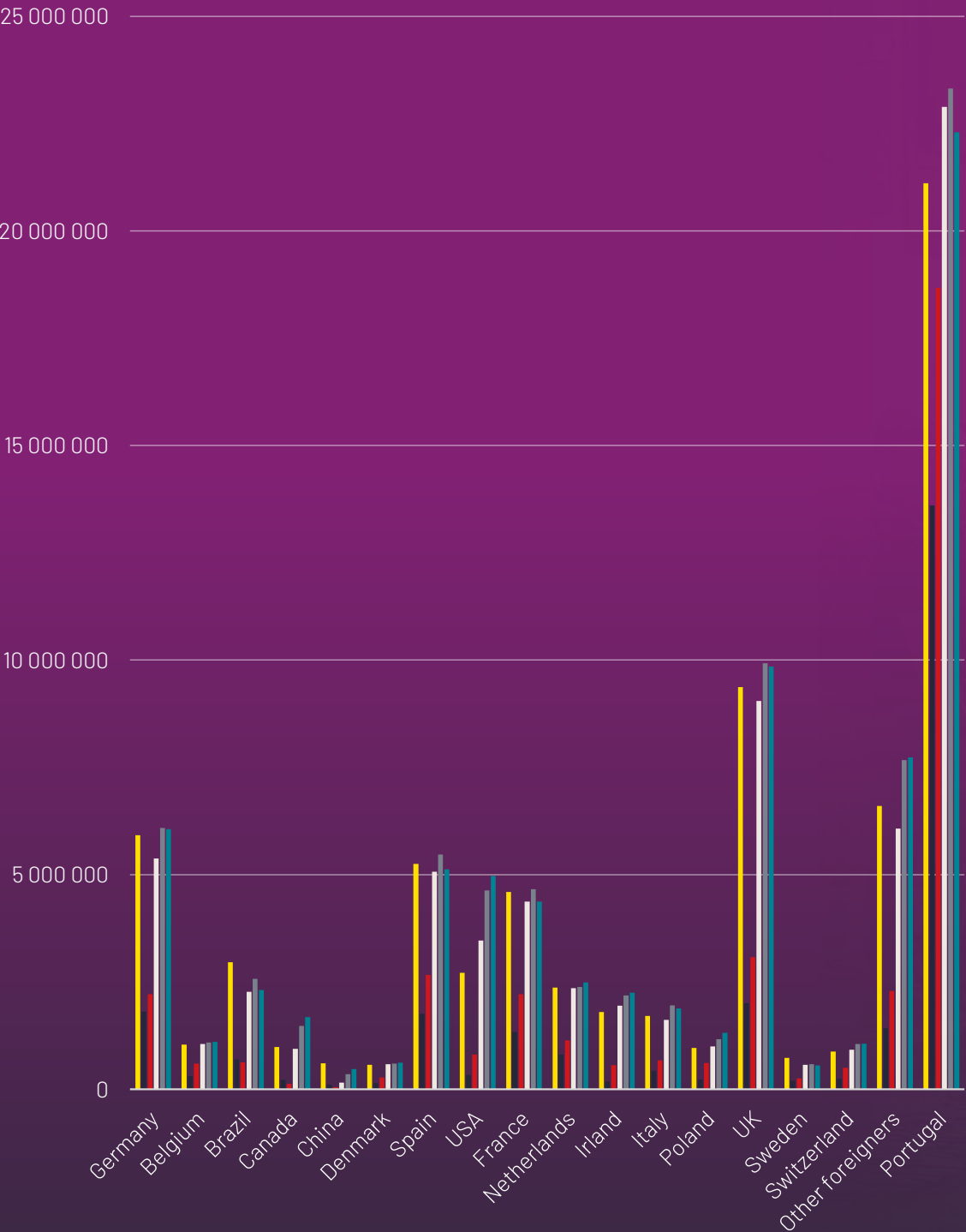
Domestic overnight stays grew +2.2% YoY, from 23.4 million in 2023 to 23.9 million in 2024, indicating stable local travel demand. Meanwhile, international overnight stays saw a stronger increase of +4.9% YoY, rising from 53.8 million to 56.4 million, reinforcing Portugal's appeal among foreign visitors.

Although growth has slowed compared to 2022-2023, when total overnight stays surged +10.7% YoY, 2024's numbers confirm that Portugal's tourism industry is not just recovering but expanding. International overnight stays now surpass 2019 levels by +14.7%, while domestic stays are up +13.1% from 2019.

Overall, the steady growth in 2024, driven mainly by international demand, cements Portugal's position as a top global destination, with record-breaking numbers for overnight stays.

— Overnight Stays —
BY NATIONALITY

2019 2020 2021 2022 2023 2024 (Up to Nov)



OVERNIGHT STAYS

80.3M STAYS UP TO
DECEMBER 2024

+ 4.1% VS JAN-DEC 2023

INTERNATIONAL TOURISM

56.4 M STAYS

70%

DOMESTIC TOURISM

23.9 M STAYS

30%

TOP 3 NATIONALITIES



UK
12.3%



Germany
8.0%



Spain
6.7%

Portugal

Market Overview

— Main Openings —

2024

PROMOTER	HOTEL	STATUS	REGION	CATEGORY	ROOMS
Hyatt Hotels	Dreams Madeira Resort Spa & Marina	Rehabilitation	Madeira	5*	366
The Editory Collection Hotels	Aqualuz Lagos by The Editory	Requalification	Algarve	5*	300
Pestana Hotel Group	Pestana Blue Alvor Beach	Rehabilitation	Algarve	5*	276

— Main Projects in Pipeline —

2025

PROMOTER	HOTEL	STATUS	REGION	CATEGORY	ROOMS
Pestana Hotel Group	Pestana Dunas	New Hotel	Madeira	5*	390
PortoBay Hotels & Resorts	PortoBay Blue Ocean	Requalification	Algarve	4*	349
TSH	The Social Hub	New Hotel	Porto	4*	310

SOURCE Savills analyzing Travel BI

INVESTMENT

RETAIL

OFFICES

INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

MARKET 2024 | TRENDS 2025

TOTAL
GUESTS

31.6 M

+5%

INTERNATIONAL
GUESTS

19.4 M

+6%

OVERNIGHT
STAYS

80.3 M

+4%

— Top 3 Nationalities | Guests* —



UK
2.4 M
Guests



Spain
2.2 M
Guests



USA
2.2 M
Guests

— Top 3 Nationalities | Overnight Stays* —



UK
9.9 M
Stays



Germany
6.1 M
Stays



Spain
5.1 M
Stays

*DATA REGARDING JAN-NOV

Throughout 2024, 45 hotel openings took place in Portugal, adding over 3,600 rooms to the country’s hospitality sector. The Algarve region led the charge, welcoming around a quarter of these new rooms, followed by the Porto Metropolitan Area and the Lisbon Metropolitan Area. The majority of these openings were 4- and 5-star hotels, reinforcing the growing luxury tourism trend, which has gained momentum in recent years, especially following the pandemic. This aligns with the trend of premium and high-end tourism as travellers seek more exclusive and luxurious experiences.

— Main Openings —
2024

HOTEL	REGION	ROOMS	CATEGORY
B&B Hotel Leiria	Alentejo	120	3*
Pestana Blue Alvor Beach	Algarve	300	5*
Aqualuz Lagos by The Editory	Algarve	276	5*
Viceroy at Ombria Resort Algarve	Algarve	141	5*
Locke Santa Joana	Lisbon	370	3*
Dreams Madeira Resort Spa & Marina	Madeira	366	5*
B&B Hotel Viana do Castelo	North	116	5*
Cénica Porto Hotel, Curio Collection by Hilton	Porto	126	3*

— Expected Openings —
2025

HOTEL	REGION	ROOMS	CATEGORY
Pestana Dunas	Madeira	390	5*
PortoBay Blue Ocean	Algarve	349	4*
The Social Hub	Porto	310	4*
Radisson Red Porto	Porto	278	4*
Algarve Marriott Salgados Golf Resort & Conference Center	Algarve	228	4*
Moxy Lisbon Park Hotel	Lisbon	218	3*

TOP Transactions 2024

CONRAD ALGARVE

HOSPITALITY

>€150 M
| 154 Rooms

BUYER

Group Quinta do Lago

OS OITAVOS

HOSPITALITY

€80 M
| 142 Rooms

BUYER

BTG Pactual

HOTEL SOFITEL LISBOA LIBERDADE

HOSPITALITY

€75 M
| 175 Rooms

BUYER

French Group

PRAIA D'EL REY MARRIOTT & BEACH RESORT

HOSPITALITY

€50 M
| 177 Rooms

BUYER

Azora European Hotel & Lodging Fund

INVESTMENT

RETAIL

OFFICES

INDUSTRIAL & LOGISTICS

RESIDENTIAL

TOURISM

MARKET 2024 | TRENDS 2025

What to expect in 2025

With over 80 hotels in the pipeline, we expect to see hotel openings not only in the traditional regions like Lisbon, the Algarve, and Porto, but also in more emerging areas. This shift is contributing to a growing demand for accommodations in outer regions that were once less frequented by tourists.

PORTUGAL'S TOURISM CAN BE CHARACTERIZED BY SOME KEY TRENDS:

Luxury Tourism Growth: There has been a notable rise in **luxury tourism**, with a focus on 4-5-star properties, boutique hotels, and high-end experiences. Portugal is becoming increasingly known for its luxurious resorts, particularly in areas like **the Algarve, where golf, wellness, and gourmet tourism** are attracting affluent travellers.

Experiential Travel: Travellers are now seeking more immersive and authentic experiences that connect them with the local culture, history, and nature.

Sustainable and Eco-Friendly Tourism: Sustainability is a major focus. Portugal has increasingly positioned itself as a green destination, with more hotels and tourism providers adopting sustainable practices.

Wellness Tourism: More travellers are seeking wellness retreats, spa experiences, and mindfulness getaways.

Increased Focus on Off-Season Travel: Another trend post-pandemic is the rise of off-season travel. Tourists are now more likely to visit Portugal during the shoulder seasons, benefiting from milder weather and lower prices.

Focus on Portugal's Lesser-Known Destinations: There's a growing interest in discovering lesser-known regions of Portugal, such as the Alentejo, Douro Valley, and the Azores.

The Legal Perspective

THE LEGAL PERSPECTIVE

Ownership

Full ownership or freehold

The full and exclusive right of possessing, use and disposing of real estate property. Buildings (or a set of buildings functionally linked to each other) can be in horizontal ownership, with independent units (for housing or non-housing purposes). Each independent unit is an autonomous property. Co-ownership of real estate is permitted under Portuguese law. The Portuguese law does not provide for the so-called “fiduciary ownership”, only admitting it in the Madeira Free Trade Zone, where is legally admitted the incorporation of trusts for the purposes of the activities to be pursued.

Usufruct

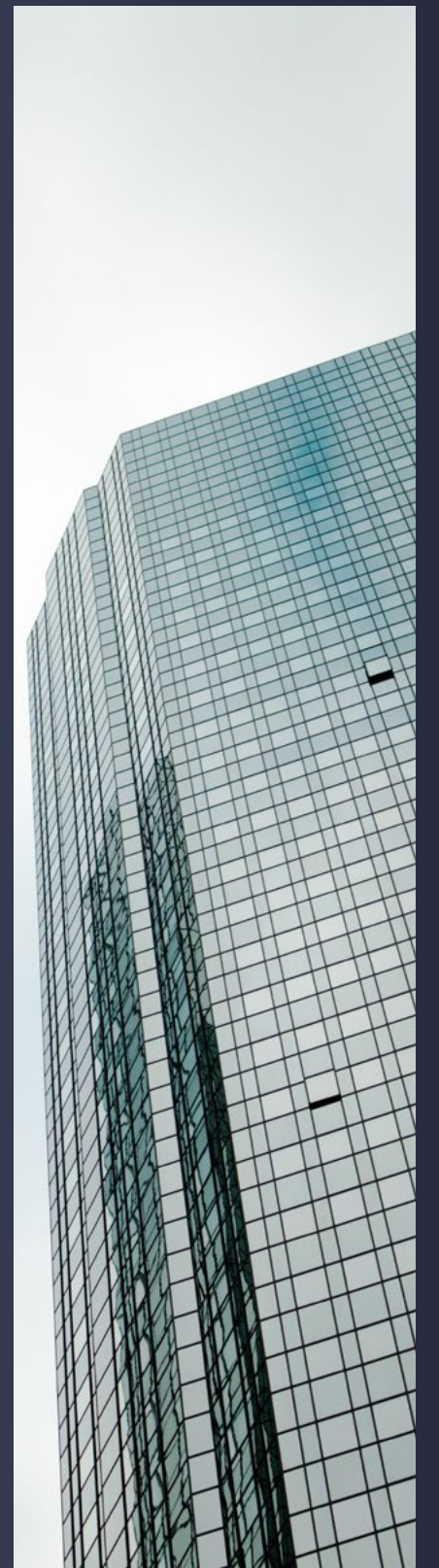
The right to use and enjoy a third party's property for a certain period of time, which cannot extend after the death of the beneficiary or be granted for periods longer than 30 years if the beneficiary is a legal person. The beneficiary can use the property in the same way as if he was the owner and collect natural, industrial or civil profits, provided the original economic function of the property is maintained.

Right of Use

The right to use a third party's property to meet one's own specific needs or the needs of one's family.

Surface right

It is the right to construct and maintain the right to a building, using and enjoying the building on land that remains the property of a third party. Surface rights can be created for a certain period of time or can be perpetual. With the termination of the surface right the owner of the land becomes the owner of the building incorporated in the land.



Asset Deals

In an Asset Deal the purchaser acquires the ownership of the property through a sale and purchase agreement (“SPA”) executed through a public deed or through a private document authenticated before a Notary, a lawyer, solicitor or land registrar.

the non-defaulting party may apply to the Court for specific enforcement of the PSPA, so that the Court orders the defaulting party to comply with the PSPA and the SPA is executed. Following the signature of the PSPA it is usual to perform the provisional register of the acquisition of property with the Land Registry Office which will become definitive upon the signature of the SPA.

The SPA must be registered with the Land Registry Office and the Tax Authority.

Registration of the purchase is to publicize the legal status of the property and is constitutive of the existence of the right and its ownership. The regime in force obliges to register and the lack of registration may imply the lack of protection of the purchaser against third parties.

The Land Registry is based on the principle of priority of registration whereby the first recorded in rem right prevails over other recorded in rem rights even if the latter have been created prior to such registration date.

Before executing the PSPA it is recommended that due diligence be performed to verify the legal, registration,

urban planning, licensing, environmental and tax situation of the property.

The due diligence is usually carried out by the purchaser in order to obtain information regarding ownership, charges, encumbrances, tax, authorizations, licensing, agreements and other contingencies and/or liabilities concerning the property. Part of the relevant information about the property’s status can be accessed by the buyer from public authorities, such as the Land Registry Office, the Tax Authority and Municipalities. Documentation that is not public (e.g. agreements with third parties) must be delivered by the promissory seller and in the PSPA the promissory seller provides the promissory purchaser with a set of representations and warranties (“R&W”). The non-compliance with R&W may be grounds for non-compliance with the PSPA.

In the sale of properties under new construction the seller (by himself or through the contractor) is responsible for repairing any defects that occur within 10 years (for structure), 5 years (for construction) and 3 years (for equipment).

Structuring a real estate transaction commonly requires several steps, including:

- Due Diligence;
- Promissory Sale and Purchase Agreement (with or without registration);
- Payment of taxes due prior to the SPA, such as stamp tax and Real Estate Transfer Tax (IMT);
- Public deed or authenticated private document (SPA);
- Purchase registration.

The generic documents required by law for the transfer of ownership are the following: (i) the land registry certificate (“certidão predial”), (ii) the tax certificate (“caderneta predial”), (iii) the use permit (“licença de utilização”) or the building permit (“licença de construção”), (iv) the energy certificate and (v) the proof of registration of the ultimate beneficial owner with the Portuguese Ministry of Justice for corporate entities.



Share Deals

In a share deal the purchaser indirectly acquires the ownership of real estate assets through the acquisition of the shares of the corporate vehicle (“SPV”) that owns them.

The acquisition of shares in an SPV is made through the execution of a private sale and purchase agreement (“SPA”).

The purchase may start with the conclusion of a share sale and purchase agreement (“PSPA”) that precedes the SPA and defines certain obligations and, if necessary, compliance with certain requirements or precedent conditions until the SPA. Prior to the PSPA or the SPA the Purchaser is advised to perform a due diligence to the SPV and to the real estate assets to verify the legal, corporate, commercial, tax, financial, employment, registration, urban planning, licensing and environmental status.

Corporate Vehicles (Special Purpose Vehicle – SPV)

In Portugal the corporate vehicles used to hold real estate assets are the Sociedade por Quotas (SQ), the Sociedade Anónima (SA) and the Sociedades de Investimento Imobiliário (SIIMO).

The SIIMO is an incorporated form of collective investment structure, subject to the legal framework applicable to real estate investment funds. This type of corporate structure may assume the form of a SICAVI, a company limited by shares with variable share capital, or a SICAFI, a company limited by shares with fixed share capital.

Both types of companies are specially designed for ownership and management of real estate assets, being managed like real estate funds with the incorporation subject to the regulation by the Portuguese Securities Market Commission (CMVM).

The initial share capital required for a self-managed SIIMO, whether it is a SICAVI or a SICAFI, as a rule, is EUR 300,000.

An Sociedade por Quotas (“SQ”) is a private limited liability company. The share capital is represented by Quotas. A Quota is not represented by a material document and subject to registration on behalf of its owner with the Commercial Registry Office, thus allowing public and unrestricted access to the owner’s details. The Quotas have a minimum value of EUR 1,00.

It is possible to incorporate an SQ with a single shareholder, in which case it will be designated as Sociedade Unipessoal por Quotas (SUQ).

A Sociedade Anónima (“SA”) is a limited liability company with shares either listed or unlisted. The minimum number of shareholders in general is five.

However, there can be SAs whose number of shareholders equal to:

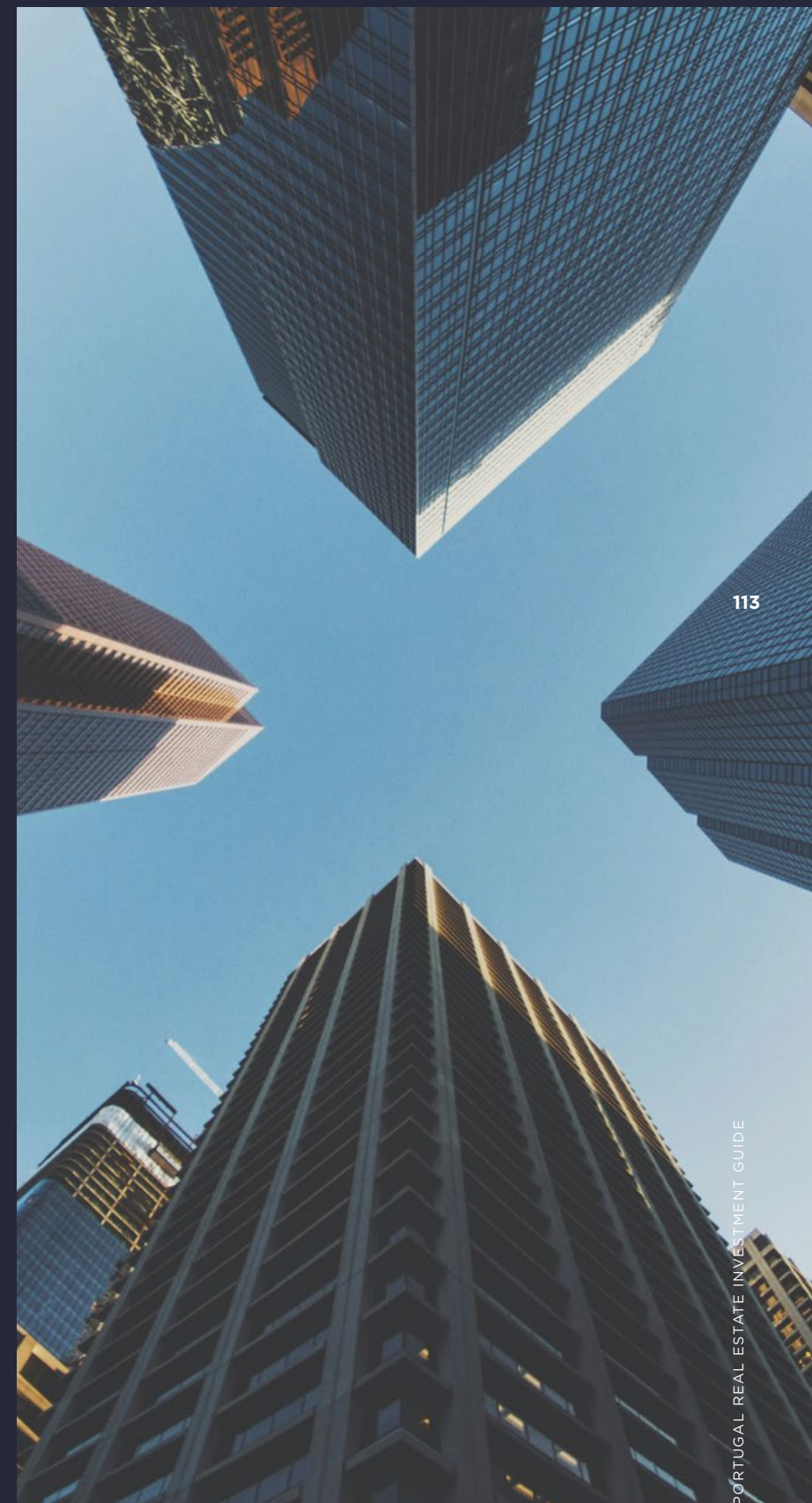
(a) one in case the company is incorporated by a sole shareholder company; or

(b) two where the State holds the majority of the share capital, either directly or indirectly through publicly owned companies.

The minimum share capital of SA is EUR 50,000 and it is necessary a certified public accountant.

The timescale for incorporation SQ or SA is between two to three weeks. This may be reduced by paying priority charges.

There is also a simplified one-day incorporation procedure for companies that adopt standard bylaws and preapproved corporate names, registered through a one-stop-shop procedure.



Leases

There are two types of lease agreements:
Residential & Non-residential

These leases are regulated by the same the
Civil Law Code & the Urban Lease Law

Form

114

The urban lease agreement must be in writing and can only apply to premises whose suitability for the purpose of the agreement is attested by the competent authorities, namely through a use permit.

Rent

The rent for residential leases can be freely determined except in cases where the tenant subleases the property or part of the property. In this case, the amount cannot be greater than 20% more than the property rent unless there is prior authorization from the landlord. Until 2029 the rule is in force that properties that have been leased in the last

five years are subject to a rent cap (+ 20%) for new lease agreement with new or the current tenant.

The general rule for updating rent is annually, by applying the legal annual coefficient that is approved by the Government in October of each year (in line with the August inflation index) to be applied in the following year. However, the parties can avoid this annual update and/or can define other ways of updating the rent, at any time, by a certain amount or indexed to any other factor.



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The parties can also agree on a rent grace period to, as it happens, compensate the tenant for the period of moving in or for work carried out by the tenant in the premises.

Maintenance, repair, and replacement at the termination

Unless otherwise agreed by the parties, the landlord is responsible for carrying out ordinary and extraordinary maintenance and repair works in the premises.

The tenant may only carry out the works when the lease agreement allows it, or when there is a written consent from the landlord unless the works are urgent which case the tenant may carry out the works and has the right to be paid for the costs.

The tenant may (and is under an obligation to) carry out small repairs in the premises so that it remains adequate for its purpose. If the tenant carries out improvement works on the premises, they will be entitled to compensation for the works ("required improvement works").

The tenant is not entitled to receive any compensation due to:

- small works to assure the comfort and the quality of the premises;
- works to repair the deterioration caused by the tenant due to the careless or abnormal use of the premises; and

- works which were not authorized by the landlord and which considerably modify the external structure or the internal division of the premises.

The tenant is responsible for the payment of charges and expenses regarding the supply of goods or services related to the premises (for example, water, electricity, gas, telephone, data, internet). The tenant is only responsible for other expenses if it is expressly agreed between the parties.

The landlord is responsible for the payment of the sanitation rate, insurance fees, tax on real estate and the stamp tax of the agreement.

The landlord is responsible for the maintenance and repair of the common parts of the building in which the premises is located.

The landlord is responsible for the repair of the premises.

However, the parties may establish in the lease agreement that the tenant shall be responsible for these expenses and costs.

In practice, it is usual for the landlord to bear the additional expenses of an extraordinary nature (including for the fixed asset structures) and for the tenant to bear the ordinary repair costs (with the maintenance) of the premises.

If the landlord is in arrears, the tenant may carry out works of an urgent nature, being reimbursed by the landlord later on.

Upon the termination of the lease agreement without the tenant handing over the premises the landlord may start lawsuit for the eviction or for the recovery of possession of the premises by the Special Procedure for Eviction (Procedimento Especial de Despejo). This special procedure is intended to be simpler and faster than a normal lawsuit. It is started and may conclude out of court, in the Tenant and Landlord Desk (Balcão do Arrendatário e do Senhorio), where the petition for eviction is presented.

Sale of lease property

In case of sale of the property by the landlord, the new owner will automatically succeed to the landlord's contractual position, maintaining the lease in force and under the same terms between the tenant and the new owner, with no need to formalize the assignment of the contractual position.

RESIDENTIAL Leases

In residential leases, the parties are required to adopt one of two models of lease agreements: (i) for a fixed-term or (ii) for an indefinite term.

In a fixed-term agreement it may be agreed that after the first renewal the lease will have an indefinite term.

Term and termination

In fixed-term agreements, the term cannot be less than 1 year nor longer than 30 years.

The minimum limit of 1 year does not apply to agreements for non-permanent housing or for special and transitory purposes, namely, for professional, educational or touristic reasons.

Unless otherwise stated, a fixed-term agreement is automatically renewed upon the term and for successive periods of equal term or three years if shorter.

Either party may oppose the automatic renewal of the lease agreement. However, the opposition to renewal and early termination rights under fixed-term residential leases are determined by law.

The landlord can only terminate the lease agreement

after three years of initial term and, after that period, at the end of the term of any of the renewals. The landlord may terminate earlier for a breach of agreement by the tenant such as non-payment of rent. The landlord is prevented from freely terminating the lease agreement before its term.

After the expiry of one-third of the initial term of the lease agreement, or of its renewal, the tenant may terminate the lease at any time by giving notice to the landlord at least 120 days prior to the intended end of the lease if the lease term is equal to or greater than one year, or 60 days prior to the intended end of the lease if the lease term is shorter than one year.

In indefinite term lease agreements, the lease is terminated by notice by one of the parties, there being no right to oppose to renewal.

After 6 months of the lease, the tenant may terminate the lease, regardless of any justification, by giving notice to the landlord at least 120 days prior to the end of the lease if the lease has an effective term of one year or more on the date of the notice or 60 days prior to the end of the lease if the lease has an effective term of up to one year on the date of the notice.

The landlord may terminate the lease agreement of indefinite term only in the cases provided for by law.

In both models, the landlord may terminate the agreement by notice in writing to the

tenant if the reason for the agreement termination is a default in the payment of the rent for more than three months, a default in paying charges or expenses, or the fact that the tenant is opposed to the execution of works ordered to be carried out by a public entity.

The landlord may also terminate the agreement by the same means if the reason for the termination is a delay in the payment of the rent, for more than eight days, on more than four occasions, whether consecutive or not, within a period of 12 months.

In all other cases of the tenant defaults the landlord will have to start a lawsuit for the termination of the agreement.

A residential lease needs to be registered if its term is greater than six years. It costs EUR 250 to register a lease at the Land Registry Office.

For tax purposes, a residential lease should also be registered before the Tax Authority.

Rent Cap In New Residential Leases

The initial rent in future residential lease agreements in which there were lease agreement(s) in force in the 5 (five) years prior to the entry into force of Law no. 56/2023, of October 6, cannot exceed the value of the last rent charged on the same property in a previous lease agreement, with a coefficient of 1.02 applied. This means that the initial rent on new lease agreements cannot exceed 2% of the previous rent. To this limit, the annual rent update coefficients that have not been applied by the landlord may be added, if applicable, as long as no more than 3 years have passed since the date on which it would initially have been possible to apply them. For the year 2023, the coefficient of 1.0543 is considered.

In the case of properties that have extensive remodelling, or renovation works (duly certified by the City Council), the initial rent may be increased by the amount of expenses incurred by the landlord, up to an annual limit of 15%.

This limitation on the future value of rent applies to lease agreements in which the value of rent exceeds the values within the general limits of the price of rent by type provided for in the Lease Support Program (PAA).

This limitation (cap) came into force on October 7, 2023 and is valid until December 31, 2029.

Houses For Lease At Affordable Prices

A support system for the development of affordable housing lease and student accommodation is created, through a financing line and the transfer of land and public buildings.

The beneficiaries of this support are:

a) Residential and construction cooperatives, which meet the necessary legal requirements for granting financing (DL 145/97, of 11.06);

b) Commercial companies whose activity is construction, in a consortium or other form of association with commercial companies whose corporate purpose includes lease for residential and property management, which meet the legal requirements necessary for granting financing, or companies in whose share capital they participate, as

well as entities dedicated to real estate development and investment;

c) IHM - Investimentos Habitacionais da Madeira, EPERAM, and the Regional Housing Division of the Azores, alone or in partnership with the entities mentioned above;

d) Municipalities and parish councils, alone or in partnership with the entities mentioned above;

e) Charitable institutions, private institutions of social solidarity and legal entities of public utility or recognized public interest.

A line of financing promoted by Banco Português de Fomento, S.A., with mutual guarantee and interest subsidies, is available for projects in the affordable housing area, namely for construction or rehabilitation, including the acquisition of the property for the purpose, and subsequent lease, with a total value of EUR 250,000,000.

Properties built with this financing are subject to the affordable housing lease regime for a period of 25 years and are subject to the parameters and values in force for residential at controlled costs, particularly with regard to the development cost per square meter.

With regard to the transfer of public land and buildings, the Government may transfer public properties that it identifies for this purpose under a surface right for a maximum period of 90 years, renewable by agreement between the parties, with a view to development, provision and management of affordable housing lease.

The surface right is transferable, as long as all inherent rights and duties are safeguarded, namely the duty to allocate housing for the development of affordable leases.

The houses developed within the scope of this support are allocated to affordable lease for a minimum period of (i) 90 years, renewable, in the case of transfer of surface rights and (ii) 25 years in other cases.

After the lease term have elapsed and in the event of sale, the municipalities and IHRU, I.P., have the pre-emption right in the purchase of their respective houses, setting the purchase price in accordance with the law applicable to the development of housing at controlled costs, reported to the date of completion of the project and updated by the monetary correction factor.

The support provided for the development of affordable leases is applicable, with the necessary adaptations, to student housing.

Tax Incentives

With the entry into force of Law No. 56/2023, on October 7, 2023, which approves measures under the “More Housing” program, tax incentive measures were approved under the Lease Support program.

The cost of rent insurance will become deductible from gross property income for personal income tax (“IRS”) purposes.

Income from housing leases will now be taxed at the autonomous IRS rate of 25%, replacing the previous rate of 28%.

There will also be an additional reduction in IRS rates applicable to property income, depending on the term of permanent residential leases, as follows:

a) For lease agreements with a term equal to or greater than 5 years and less than 10 years, a 10% reduction is applied to the respective autonomous rate, with a 2% reduction being applied for each renewal of the same term, with reductions

relating to the agreement renewal subject to the 10% limit;

b) For lease agreements with a term equal to or greater than 10 years or more and less than 20 years, a 15% reduction applies to the respective autonomous rate;

c) For lease agreements with a term equal to or greater than 20 years or more, a 20% reduction in the respective autonomous rate applies.

Lease agreements that benefit from the additional IRS reduction referred to in the previous three points are subject to an additional reduction of 5% in the respective autonomous rate whenever the rent is at least 5% lower than the rent in the previous lease agreement for the same property.

The right to reduced rates ends when:

(i) Lease agreements end before the initial term or is renewed, for reasons attributable to the landlord or, in the case of the real right of permanent residence, by agreement between the parties;

(ii) In the residential lease agreements signed after January 1, 2024, the monthly rent exceeds the general rental price limits by type by 50%, depending on the municipality in which the property is located.

Building land and urban buildings destined for the Lease Support Program

Acquisitions of land for the construction of residential properties are exempt from Real Estate Transfer Tax (“IMT”), as long as they cumulatively meet the following requirements:

a) At least 700/1000 of the buildings in horizontal ownership, or all of the buildings in total ownership or independent units, are allocated to the Lease Support Program, regardless of the developer, as long as they are certified by the IHRU or by the competent entities of the Autonomous Regions;

b) The procedure for prior control of construction works on residential properties was initiated with the competent authority within two years after acquisition.

The urban buildings or independent units rehabilitated

or built for use under the Lease Support Program will benefit from:

(i) Exemption from IMT;

(ii) Exemption from Property Tax (“IMI”) for 3 years from the year of acquisition, which can be renewed for another 5 years.

IMI and IMT exemptions are cancelled if:

a) The property receives a different use (compared to that on which the benefit was based) within 5 years after the transfer, or within 10 years if the benefit is renewed;

b) The property has not been the subject of a lease agreement signed within the scope of the Lease Support Program within 6 months from the date of acquisition.

Tax incentives for real estate investment funds and real estate

investment companies

Real estate investment funds and real estate investment companies whose assets are made up of at least 75% of affordable housing lease properties benefit from the following incentives:

a) Capital gains resulting from the sale of participation units in these funds are subject to a tax rate of 10% when the holders are non-resident entities or are IRS taxpayer’s resident in Portuguese territory and who obtain income outside the scope of an activity commercial, industrial or agricultural and do not opt for totalization;

b) Exemption from IRS and IRC, during the term of lease agreements, for property income obtained within the scope of municipal programs that offer affordable housing lease and student accommodation.

Stamp Tax Exemption

The following lease agreements are exempt from stamp tax:

(i) Residential lease agreements within the scope of the Lease Support Program;

(ii) Residential lease agreements concluded within the scope of public housing programs developed by the entities responsible for housing in the autonomous regions.

Non-Residential Leases

The lease for non-residential purposes includes the lease for offices, for industrial, for logistics, for commercial facilities or for any other legally admitted use. In non-residential leases the parties can freely stipulate in the agreement the rules relating to term, termination and opposition to renewal.

Term and termination

The term of a non-residential lease is decided by agreement between the parties, with a maximum limit of 30 years (subject to a right to terminate on notice) and a minimum of 1 year.

Should the term be omitted, the agreement shall be deemed to be in force for a term of 5 years, renewable for the same period and the notice period for termination by the tenant shall be deemed to be one year. However, regardless of the period agreed by the parties for the initial term, the landlord can only oppose the renewal of the lease at the end of the first 5 years.

The landlord can only terminate the lease agreement before the term if the tenant defaults.

The law defines some of the causes that may entitle the

landlord to proceed with the termination of the lease agreement. Besides these causes the parties may state others that might be considered as the tenant's default. This rule applies to residential or non-residential leases.

A non-residential lease needs to be registered if its term is greater than six years.

Transfer, Sublease, Wet-Lease And Shopping Centers

The transfers of lease agreement to a third party require the landlord's consent.

Non-residential leases may be transferred by conveyance

without the landlord's consent, notification to the landlord being sufficient, although the landlord has a pre-emption right.

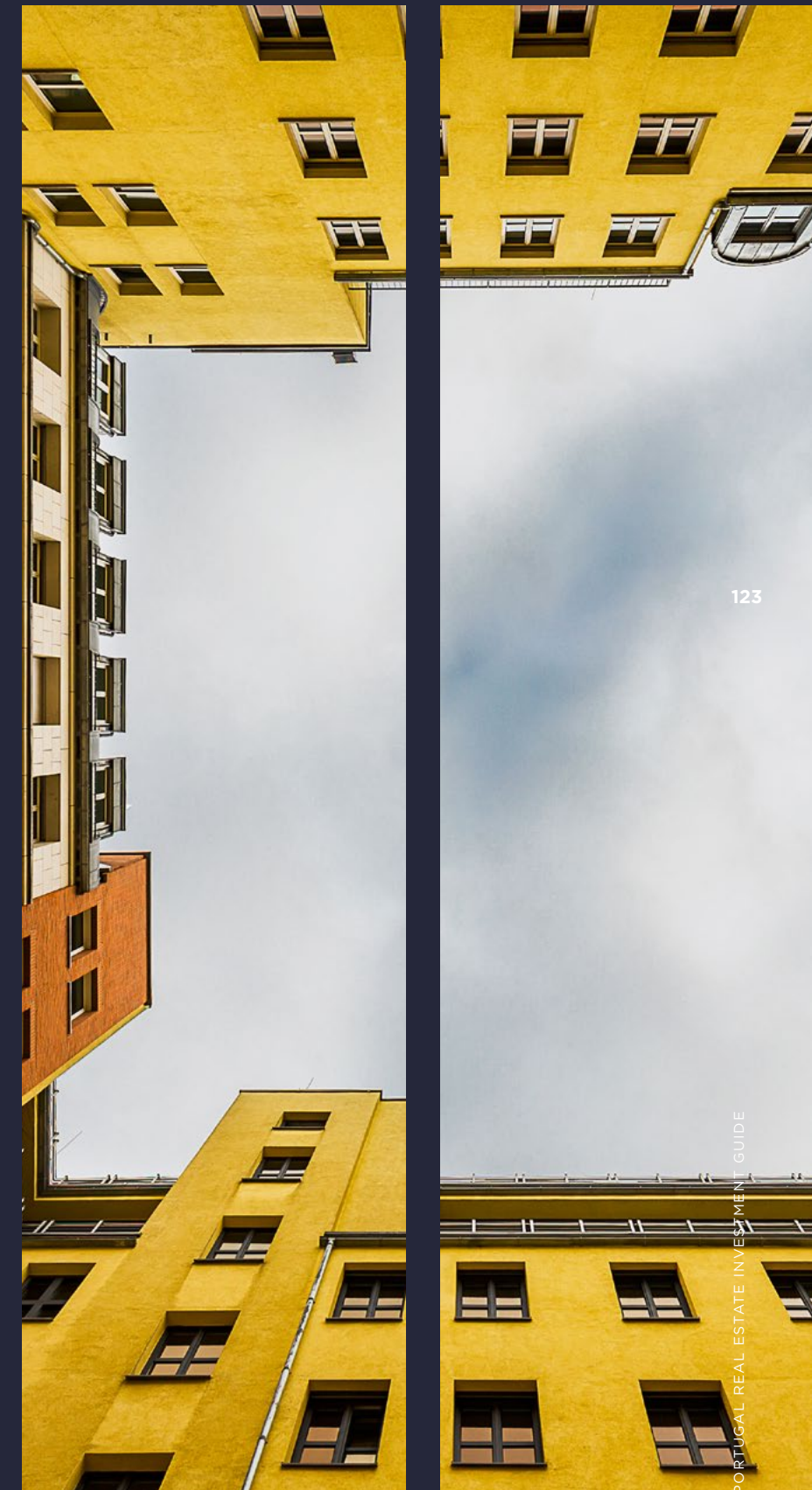
A transfer of an establishment (a temporary and costly transfer of the use of the property together with the operation of a commercial or industrial establishment) does not require the landlord's authorization, but the landlord should be informed within one month.

The tenant cannot sublease the property, totally or partially, without the landlord's authorization in writing, which is a condition of the sublease. Should this authorization not exist, the landlord may terminate the lease agreement based on the tenant's default.

If the consent to transfer the lease or to sublease is not required, the parties normally limit the scope within which it is possible to assign the rights, for example to companies of the same group.

The Portuguese real estate market has two other contractual models of use of non-residential spaces, for (i) the use of offices or other special units; (ii) the use of stores in shopping centres. In both models, the use of spaces is accompanied by a series of services that are provided by the owner, such as building management, security, cleaning services, reception, communications, space promotion, among others.

Due to their specificities, these contractual models do not apply to the provisions of the law that are applicable to lease agreements.



Planning & Licensing

Strategic planning / zoning in Portugal is governed mainly by a planning policy, framed by Decree Law No. 80/215, of 14 May 2015 (Regime Jurídico dos Instrumentos de Gestão Territorial), as amended. This law generally maintains the existing planning policy that was implemented through national, sectorial, special, regional and local development and urban plans.

All plans are binding for the public entities, while the special plans and the municipal plans are also binding for individuals.

The relevant urban plan will prescribe whether a landowner may construct a new building or refurbish an existing building, which urban parameters and conditions are applicable in the construction, alteration, extension and demolition, and also the uses permitted.

The design and appearance of a new building may be governed by public law if a detailed plan or an urbanization plan has been approved for the area.

Even so, usually the design and appearance of a new building

is not completely controlled by public law.

The method of construction is governed by building regulations such as the General Regulations of Urban Buildings dated from 1951 (Regulamento Geral das Edificações Urbanas).

The municipal plans for land planning define the permitted use according to the area of activity (housing, commerce and services, industry, agriculture, etc) and sometimes the permitted changes in use. The Simplex Urban law, of January 2024, allows individuals to change the use of any property from non-residential to residential, without the need for prior public authorization.

Special plans (referring to protected areas, coastline, public reservoirs, estuaries and archaeological parks) define unauthorized, conditional and preferred uses.

The main relevant administrative authorities are the Municipalities (local authorities). The Municipalities draw up and approve the municipal plans for land planning and these are usually the competent authorities to

conduct control procedures for any urban operation.

Major construction works may be subject to a licensing procedure (in which case the control is more demanding and time-consuming) or to a prior notice procedure (in which case the control is lighter and faster). These procedures begin with a request from the interested party, which is sent together with the project and the descriptive document, among other supporting documents.

Some works are regarded as having little urban significance and are not subject to any prior control procedure (for example, maintenance works). The Simplex Urban law considerably expanded the works to be carried out inside buildings (structural or non-structural) which are now exempt from any type of licensing.

Depending on the location of the land there may be an obligation to consult one or several administrative entities who may issue binding opinions within the licencing and prior notice procedures.

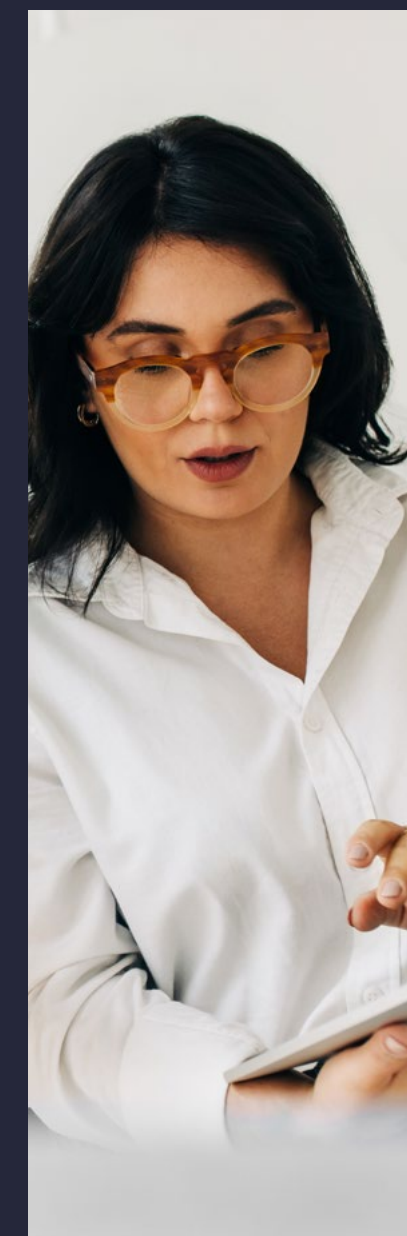
Courts do not directly intervene in administrative procedures.

The deadline for execution of the works is established in the licence itself. The deadline may also be extended by the Municipality. If the works are not concluded within the deadline in the licence, or within the deadline resulting from the extension, the licence is deemed to have expired.

A use permit does not have a deadline / expiry date.

If urban standards are infringed, the Municipality has the power to impose an embargo, correction works, demolition and termination of use. If such orders are not complied with, they may be enforced by the Municipality at the offender's expense.

The Municipality may also impose fines for the infringements.



Tax Framework

Investments in real estate can be performed individually or structured through vehicles such as commercial companies, real estate investment funds, property investment companies.

Transfer tax and stamp tax

The following **transfer** taxes **and duties** may apply to the purchase of real estate, depending on the structure of the deal.

- Asset deals:**
Real Estate Transfer Tax (IMT) | **VAT (IVA)** | Stamp tax (Imposto do Selo)
- Share deals:**
Real Estate Transfer Tax (IMT)

Asset deals

Real Estate Transfer Tax (IMT) will be calculated on the price of the transaction or on the VPT (value of the real estate assessed by the Tax Authority), whichever is higher.

IMT is calculated using the following formula:
(Taxable value x Rate) – Threshold deduction = IMT to be paid.

IMT IS CHARGED AT THE FOLLOWING RATES:

- Flat rate of

6.5%

on the acquisition of any urban property not exclusively of a residential nature.
- Flat rate of

5%

for rural properties.

Progressive rates for the acquisition of urban buildings or apartments exclusively for residential purposes that are intended to be the purchaser 's permanent residence, ranging from

0% to 7.5%

(overall top rate; marginal rates may be higher) as mentioned below (applicable to real estate acquired in mainland Portugal since in Azores and Madeira different taxable values apply,

leading to a reduction in IMT payable for real estate acquired in these regions):

Taxable value (EUR)	Rate	Threshold deduction (EUR)
Up to 104,261	0%	0
Above 104,261 to 142,618	2%	2,085.22
Above 142,618 to 194,458	5%	6,363.76
Above 194,458 to 324,058	7%	10,252.92
Above 324,058 to 648,022	8%	13,493.50
Above 648,022 to 1,128,287	6%	0
Above 1,128,287	7.5%	0

Progressive rates for the acquisition of urban buildings or apartments exclusively for residential purposes and/or intended for letting purposes, but not intended as the purchaser 's permanent residence, ranging from

1% to 6%

(overall top rate; marginal rates may be higher) as mentioned below (applicable to real estate acquired in mainland Portugal since in Azores and Madeira different taxable values apply,

leading to a reduction in IMT payable for real estate acquired in these regions):

Taxable value (EUR)	Rate	Threshold deduction (EUR)
Up to 104,261	1%	0
Above 104,261 to 142,618	2%	1,042.61
Above 142,618 to 194,458	5%	5,321.15
Above 194,458 to 324,058	7%	9,210.31
Above 324,058 to 621,501	8%	12,450.89
Above 621,501 to 1,128,287	6%	0
Above 1,128,287	7.5%	

To discourage the purchase of real estate in Portugal through offshore companies, IMT is levied at a rate of 10% if the purchaser is a company established in a country, territory or region with a preferential tax regime. Further, as of 1 January 2021, the same punitive tax rate applies, when the acquirer

is an entity dominated or controlled, direct or indirectly by a company established in a country, territory or region subject to a preferential tax regime. In these cases, no exemptions are made available. Since 2016 the acquisition of real estate by open-end or privately placed closed-end Real Estate Investment

Funds or Retirement Savings Funds are no longer exempt from IMT (until 31 December 2018 it was still possible to challenge the 2016 repeal of the exemption with respect to Real Estate Investment Funds; this interpretation has been followed in numerous arbitration decisions).

However, the property transactions may be exempt from IMT or may benefit from tax reliefs in the following cases, among others:

- Property acquisition for resale
- Acquisition of urban property for urban regeneration purposes
- Restructuring operations or cooperation arrangements
- Acquisition of property classified as of national/public/municipal interest

• Exemption or reduction of the IMT tax rates, regarding the acquisition of property that constitutes eligible investment under the Investment Promoti on Tax Regime (RFAI)

Since August 2024, the first purchase of an urban building or an independent unit of an urban building intended exclusively for the taxpayer's own and permanent residence is exempt from IMT and stamp tax if, among other requirements, it is the first purchase of a property for this purpose up to 324,058 euros, by taxable persons up to 35 years of age who are not considered dependents for personal income tax purposes in the year of the transaction.

For properties with a taxable value higher than 324,058 Euros, IMT applies on the difference between that taxable value and the value of the real estate, in accordance with the tax rates identified in the first table above. Regarding stamp tax, an exemption is applied, limited to the application of 0.8% to 324,058 Euros. t.

Share Deals

In the case of a share deal, as of January 1, 2021, IMT applies to the purchase of an equity position both in a private limited liability company (Lda.) and in a corporation (S.A.) which holds real estate assets located in Portugal if the following requirements are cumulatively met:

1. The assets of the company whose shares are transferred derive, directly or indirectly, more than 50% of their value from immovable assets located in Portugal;

2. Such real estate assets are not directly allocated to an activity of an agricultural, industrial or commercial nature, or are directly allocated to an activity of purchase and sale of real estate property; and

3. As result of the acquisition (or other corporate events) one of the shareholders retains at least 75% of the share capital of the target entity (or the number of shareholders is reduced to two persons married or in a non-marital partnership).

Until December 31, 2020, IMT could only apply with respect to private limited liability companies, but this tax applied in all cases resulting in a transfer of at least 75% of the share capital of the company. If the purchase of shares involves a privately placed closed-end Real Estate Investment Funds, the transaction is subject to IMT if after the acquisition the acquirer holds 75% or more of the units in the fund.

In both cases – asset deals and share deals – the purchaser is responsible for the assessment and payment of IMT, as well as VAT (reverse charge mechanism), if applicable. IMT must be paid before the deed and the notary is obliged to confirm its payment. Stamp tax, where applicable, is paid by the purchaser (who

normally also pays the notary's fees). The purchaser must present the payment proof at the moment of the transfer signature. The tax is paid through a payment reference issued by the tax authority.



Value added tax

As a rule, the transfer of property and shares in Portugal is exempt from VAT.

Nonetheless, in the case of a transfer of property, the seller may waive the exemption if certain conditions have been met, and they have complied with various formalities.

If the exemption is waived, VAT can be recovered in accordance with specific dispositions set out in the Portuguese VAT Code.

Tax on ownership

IMI is a municipal property tax, payable by the owner or occupier of the property (excluding tenants), on the VPT (value of the real estate assessed by the tax authority) of urban and rural properties. IMI is payable on the VPT of each property at rates which range between 0.3% and 0.8%, depending on the municipality and on the type of property.

Urban properties solely for the residential use of the purchaser, as his primary domicile, may benefit from a temporary exemption from IMI for up to three years (extendable for an additional

2-year period), if the property's value is less than EUR 125,000. To benefit from this exemption, the income of the purchaser's household cannot exceed EUR 153,300.

IMI exemptions are also possible in the case of projects of economic importance, or buildings classified as of national, public or municipal interest.

An IMI exemption or IMI reduction may also apply in the following cases, among others:

- Urban property subject of urban regeneration may benefit from IMI exemption during a period of three years, renewable for a period of five years, counted from the date of the completion of the restoration works.

- In some cases, municipalities may determine a reduction of up to 25% of the IMI rate, applicable to urban property with energy efficiency.

- Rural property composed by forest areas covered by forest intervention zone or acquired for forestry exploitation under a forest management plan.

- Under the Investment Promotion Tax Regime (RFAI), companies may benefit from exemption or relief of IMI for a certain period (up to 10 years), provided that some conditions are met.

IMI is borne by the owners of property and it is collected by the municipalities according to the valuation of the property determined by the tax authorities.

The Portuguese State Budget for 2017 introduced the Additional to the IMI (AIMI). The AIMI is levied on the sum of the VPT's of all dwellings owned or in relation to which the taxpayer has the right of use or the surface right above certain thresholds and subject to certain exclusions.

Taxation of income

Rents and the profit from sales of property (that can be treated as profit or capital gain) are the types of income that can be expected from ownership of real estate.

Rents from urban, rural or mixed properties are classified as taxable income for the

HOWEVER, THERE ARE SOME SPECIFICITIES:

Indirect Investment Through a Corporate Entity

The income of resident corporate taxpayers is subject to IRC at the general rate of 21% (in mainland Portugal). A reduced rate of 17% may be applicable to the first EUR 50,000 of taxable income (if the company is recognized as a small or medium-sized company, or as a small mid cap). To be recognized as small or medium-sized, the company must have fewer than 250 employees, and its annual

purposes of Portuguese corporate income tax (IRC). If the investor is private, rents will be treated as taxable income for personal income tax (IRS) purposes.

Whether generated through a resident corporate entity,

turnover must not exceed EUR 50 million or its annual balance sheet total must not exceed EUR 43 million. To be recognized as a small mid cap, the company must have less than 500 employees. If these entities qualify as startups, as defined under the applicable Portuguese legal framework, the reduced tax rate should be of 12.5 percent.

The income of resident corporate taxpayers is also subject to a municipal surcharge of up to 1.5%, which is levied by many Portuguese municipalities, and a state surcharge of 3% applies to income varying between EUR 1.5 million and EUR 7.5 million. For income between EUR 7.5 million and EUR 35 million the surcharge is of 5%. Above

a permanent establishment in Portugal or without a permanent establishment, rents from real estate located in Portugal are always subject to income tax.

EUR 35 million the surcharge state surcharge is of 9%. The municipal surcharge and the state surcharge are applied on the income determined prior to deduction of losses.

Taxable income for IRC purposes is calculated on the basis of the net accounting profit as adjusted for tax purposes.

A corporate entity is entitled to deduct costs related to maintenance and repairs, as well as general costs and Property Tax (IMI), and other specific costs such as those incurred in connection with the construction or acquisition of the property and depreciation (excluding land).

Direct investment through a permanent establishment

Income attributable to a permanent establishment (PE) in Portugal is liable to IRC in the same way as a Portuguese-resident company at the rates mentioned above for resident corporations.

Direct investment without a permanent establishment

If the investor does not have a permanent establishment in Portugal, Income Tax (IRC or IRS) is only payable on income generated in Portugal.

Income derived from rents, is subject to corporate income tax, at a rate of 25% for non-residents. As to the personal income tax, the rate is of 28% for non-residential leases. For residential leases, a 25% rate or lower rate (if some requirements are met) is applied. The costs incurred by the taxpayer to obtain the rental income are tax deductible, except with respect to the following costs: financial costs, depreciation, furniture, fixtures,

equipment and décor items, and the AIMI. A withholding tax of 25% may apply to non-resident individuals or corporations, if the lessee is an entity or individual required to prepare and to maintain audited accounts in Portugal, as is typically the case with a commercial lease.

Foreign investors must file an annual tax return with The Portuguese Tax Authority.

Investment Funds

Decree-Law No. 7/2015 of January 13, 2015, which came into force on July 1, 2015, introduced a new tax regime for undertakings for collective investment (UCI), applicable to following entities:

- **Securities Investment Funds (SIFs)**
- **Real Estate Investment Funds (REIFs)**
- **Securities Investment Companies (SICs)**
- **Real Estate Investment Companies (REICs)**



Following a major trend in the taxation of investment vehicles in Europe, this law adopts the “exit taxation method”, whereby the taxation of income is, in most cases, applied to the investors rather than the fund.

The recently adopted SIGIs (a special type of real estate investment company, subject to a significantly relaxed regulatory framework) are also subject to the income tax regime applicable to UCIs (the SIGIs’ regime entered into force on February 1, 2019).

In respect of income derived from UCIs, non-resident Investors without a local PE will be subject to a withholding tax in Portugal at a rate of 10%.

Income derived from units in real estate investment funds and from shares in real estate investment companies are classified as income deriving from property for the purpose of this regime.

The tax regime applicable to UCIs established and operating in accordance with the Portuguese legislation are subject to a special tax regime that can be summarized as follows:

Taxation of REIFs/REICs

1. UCIs will be subject to IRC at a single general tax rate currently set at 20%, with only the net income subject to taxation. However, income qualifying as investment income, rental income and capital gains is generally not subject to IRC.

2. UCIs tax losses generated as of 2023 may generally be carried forward.

3. UCIs are exempt from the municipal surcharge (derrama

municipal) and state surcharge (derrama estadual).

4. Mergers, demergers or subscriptions in kind between UCIs may benefit from a tax neutrality regime for IRC purposes, allowing for more efficient restructuring operations or the transfer of assets between investment vehicles.

5. UCIs income may not be subject to withholding tax.

6. UCIs will be subject to certain obligations set out in the IRC code, namely to maintain proper accounting systems and tax documentation procedures.

7. Stamp tax will apply to the fund’s global net asset value and is due on a quarterly basis. The tax rate is 0.0125% for real estate funds.



Taxation of Investors

Non-resident investors who receive income distributed by real estate investment funds or by real estate investment companies, are subject to withholding tax at the rate of 10%.

Resident investors

INDIVIDUALS

Are subject to IRS at a withholding tax rate of 28%. This is generally a final withholding tax, which settles the investor's tax obligation, provided that the income in question is obtained outside the scope of a commercial, industrial, or agricultural activity, unless the investor chooses to aggregate his or her income, in which case the general progressive tax rates (from 13% to 48%, plus solidarity surcharges) apply;

Corporate investors

Are subject to IRC at a provisional withholding tax rate of 25% (unless the relevant beneficiaries benefit from an exemption from IRC which excludes investment income, in which case the withholding is treated as a final tax).

Non-resident investors who

Do not present proof of non-residence in Portugal;

Are established in a country, territory or region whose tax regime is deemed to be clearly more beneficial than Portugal's;

The income is paid or made available through accounts under the name of one or more undisclosed holders (except if the beneficial owner is identified); or

Are entities directly or indirectly held to an extent greater than 25% by Portuguese residents (with certain exceptions),

Are subject to withholding tax at definitive rates of 25%, 28% or 35% – being the rates prescribed for the regime applicable to resident investors.

Taxation of distributions

Income generated by investment can be transferred on the following terms:

Direct investment through a permanent establishment

Once the profits have been taxed in Portugal, income can be transferred to foreign investors without any further taxation. This is because a transfer between a Portuguese PE and its head office is considered to be an internal transfer within the same corporate entity.

Direct investment without a permanent establishment

Any tax paid by the investor in Portugal usually receives a tax credit in its country of residence, under most double-taxation agreements (DTA) entered into between Portugal and other states.



Indirect investment through a corporate entity

In Portugal, tax may have to be withheld on the distribution of dividends to shareholders. Tax withheld (if mandatory) may be provisional for residents and definitive for non-residents. This depends on the investor's status as follows:

Portuguese-resident corporate shareholders

Provisional withholding tax

Distributions of dividends to Portuguese-resident corporate shareholders may be made without withholding tax if the participation exemption regime applies, and such equity was held by the shareholder in the year preceding the distribution. If the shareholder has its registered office in Portugal (ie is a Portuguese corporate entity) or if its management is located in the Portuguese territory then it is deemed to be tax resident.

In all other cases a 25% withholding tax applies,

and the amount received as dividends may also be taken into account in determining the taxable profits for the accounting period of the Portuguese-resident corporate shareholder.

Distributions of dividends to Portuguese-resident corporate shareholders are exempt from IRC if certain conditions are met, notably:

1. the taxpayer holds shares representing at least 10% of the share capital or voting rights of the entity distributing the dividends;
2. the relevant holding is maintained uninterruptedly during at least one year;
3. the taxpayer does not fall within the tax transparency regime;
4. the entity distributing the dividends is subject to and not exempt from IRC or any identical tax at a rate not lower than 60% of the Portuguese tax (for 2025 this will be 12.6%); and
5. the entity distributing profits is not resident in a country, territory or region with a preferential tax regime.

If the conditions are not met, the amount received as dividends is also taken into account in determining the taxable profits for the accounting period of the Portuguese-resident corporate shareholder.

The income of resident taxpayers is subject to IRC at the general rate of 20% (on the Portuguese mainland). A reduced rate of 16% may be applicable to the first EUR 50,000 of taxable income (if the company is recognized as a small or medium-sized company. To be recognized as small or medium-sized, the company must have fewer than 250 employees, and its annual turnover must not exceed EUR 50 million or its annual balance sheet total must not exceed EUR 43 million). To be recognized as a small mid cap, the company must have less than 500 employees. If these entities qualify as startups, as defined under the applicable Portuguese legal framework, the reduced tax rate should be of 12.5 percent.

The income of resident corporate taxpayers is also subject to a municipal surcharge of up to 1.5%, which is levied by many Portuguese municipalities, and a state surcharge of 3% applies to income varying between EUR1.5 million and EUR7.5 million. For income between EUR7.5 million and EUR35 million the surcharge rises to 5%. Above EUR35 million the surcharge rises to 9%. Taxable income for IRC purposes is calculated on the basis of the net accounting profit as adjusted for tax purposes.

Corporate shareholders not established in Portugal (definitive withholding tax)

Profits distributed by a legal entity which is tax resident in Portugal (provided the entity is subject to and not exempt from taxation and is not a tax transparent entity), are exempt from IRC if the shareholder is resident:

1. in a Member State of the European Union;
2. in an EEA country which has agreed to administrative cooperation;
3. in a State with whom a DTA has been entered into.

Besides the requirements regarding the tax residency of the shareholder further conditions need to be met; notably:

1. the taxpayer must hold shares representing at least 10% of the share capital or voting rights of the entity distributing the dividends before the dividends are made available;
2. the referred holding must be maintained uninterruptedly during the year preceding the distribution;
3. the entity distributing the dividends must not fall within the tax transparency regime;
4. the shareholder must be subject to and not exempt from a corporate income tax

mentioned in the EU Parent Subsidiary Directive, or to a corporate income tax similar to IRC, at a rate not lower than 60% of the Portuguese tax (for 2025 this will be 12%).

Additionally, profits distributed to a company deemed to be tax resident in Switzerland are exempt from IRC in the terms set out in article 15 of the EU-Switzerland Agreement if:

1. the company to which the profits are distributed holds at least 25% of the share capital of the company distributing the dividends (direct holding), for at least two years;
2. in the terms set out in the DTAs entered into by Portugal and Switzerland with third countries, the company is not deemed to be tax resident in that third country; and

3. both companies are subject and not exempt from Corporate Income Tax and both companies are limited liability companies.

If the abovementioned requirements are not met, 25% of any dividend paid must be withheld by the Portuguese corporate vehicle except where a DTA is deemed applicable.

Most of the DTAs entered into by Portugal, following the OECD Model Treaty, establish that the applicable Portuguese withholding tax rate on dividend or profit distributions cannot exceed 15% or 10%, depending on the percentage of the participation in the corporate vehicle.

Dividends paid to shareholders established in a country, territory or region whose tax regime is deemed to be clearly more favourable will be subject to withholding tax at a rate of 35%.

Dividends deposited in accounts of fiduciary entities, which act on behalf of undisclosed third parties, will be subject to withholding tax at a rate of 35%.

The income generated from real estate ownership is only subject to taxes. No other cost or charges are payable.

If the income generated from real estate ownership is transferred to shareholders or partners, this income is only subject to taxes. No other cost or charges are payable.

Taxation of Distributions

Whether generated through a resident corporate vehicle, a permanent establishment (PE) of a non-resident entity or a non-resident entity without a PE, income from the sale of real estate may be subject to tax as follows:

Real estate assets held by a foreign investor through a corporate vehicle

Sale of real estate by the corporate vehicle

A corporate vehicle is subject to IRC at 20% plus surcharges up to 9% on any capital gains arising from the sale of real estate. Municipal surcharges of up to 1.5% may also apply.

A reduced 16% tax rate applies on the first EUR 50,000 of taxable income, with respect to small or medium-sized entities and to small mid cap (see definitions above). If these entities qualify as startups, as defined under the applicable Portuguese legal framework, the reduced tax rate should be of 12.5%. Further, state and

municipal surcharges may apply, as detailed above.

In the case of a Portuguese corporate vehicle, capital gains can be offset against other capital costs or losses. Only 50% of the capital gains need to be included in taxable income for IRC purposes if the sale proceeds from certain real estate assets are reinvested in the purchase of certain qualified assets.

Sale of shares in a corporate vehicle

Portuguese taxation on the capital gains of non-residents arising from the disposal of shares in a Portuguese-based property company applies as follows:

25%

for corporate entities. As a rule, capital gains from the disposal of shares are subject to a

28%

PIT rate for individuals.

Notwithstanding, short-term net capital gains (defined as those arising from securities held for less than 365 days) are subject to progressive PIT rates (up to 48%, plus solidarity surcharges), provided that the taxpayer has a taxable income (including such net capital gains) in excess of the amount subject to the last PIT bracket (currently, an annual amount of € 83,696).

Notwithstanding the above, only half of the capital gain will be taken into consideration for tax purposes if the company whose shares will be sold is recognized as a micro or small company, subject to certain additional requirements. To be recognized as such, the company must have less than 50 employees and its annual turnover or annual balance sheet total must not exceed EUR10 million.

Certain domestic exemptions from Portuguese capital gains tax on the sale of shares by non-Portuguese-resident individuals or entities are available. However, these do not apply to the disposal of shares in Portuguese-resident companies where more than 50% of the company's assets consist of immovable property located in Portugal, or of shares in holding companies in which an affiliated or controlled company holds more than 50% of its assets in immovable property located in Portugal. Indirect transfer of shares may also be subject to capital gains tax in Portugal.

Real estate assets held by foreign investors through a PE in Portugal

A PE is taxed on capital gains or business profits arising from the disposal of real estate in the same way as a Portuguese corporate vehicle.

Capital gains can be offset against other capital costs or losses. Only 50% of the capital gains need to be included in taxable income for IRC purposes if the sale proceeds from certain real estate assets are reinvested in the purchase of certain qualified assets.

Real estate assets held by foreign investors directly without a permanent establishment in Portugal

Capital gains or business profits from the sale of real estate are subject to IRC at a flat rate of 25% or IRS, at progressive rates - applied over 50% of the gain derived.

Changes in Tax Rules

Purchase for resale

Properties that have been purchased by purchase-for-resale companies now benefit from IMT exemption for a period of 1 (one) year, instead of the previous period of 3 (three) years.

This IMT exemption expires (IMT payment plus compensatory interest becomes due) in the following situations:

- The property has been given a different use;
- There has been no resale within 1 year;
- There has been a new transfer for resale;
- This change applies to the acquisition of any type of property for resale, not limited to properties intended for residential purposes.

Property Tax (“IMI”) - Exemption from IMI - Land for residential construction

Residential building plots and residential buildings for which the prior control procedure for construction work has been initiated with the competent authority and for which the final decision on the procedure has not yet been made are exempt from IMI. If the building is used for other than residential purposes, the tax will be due from the moment of acquisition.

Urban Rehabilitation

The reduced rate of 6% Value Added Tax (VAT) is now also applicable to:

- Construction or rehabilitation of properties for affordable housing, controlled costs or accessible rent, regardless of the developer and provided that 700/1000 of the buildings in horizontal ownership are used for one of these purposes

(duly certified by the IHRU or by the competent entities of the autonomous regions);

- Rehabilitation of buildings and the construction or rehabilitation of public utilization facilities located in urban rehabilitation areas.



Real Estate Finance

When structuring a financing for the acquisition or development of a property investors/sponsors are typically required to create security in favour of lenders to secure their debt.

There are different types of security and quasi-security, tailored in accordance with the specific risks of each project, including without limitation: pledge (penhor), mortgage (hipoteca) or any other in rem security (garantia real) contemplated in Portuguese law, financial collateral or security (garantia financeira), commercial pledge (penhor mercantil) and assignment as security (cessão de créditos com escopo de garantia).

In real estate finance, within the assets which are most commonly secured (and on the top of the list) is the real estate asset (ie, the property) and the most effective way of taking security over real estate is by mortgage.

The mortgage shall be executed by way of notarial deed before a Portuguese notary or consulate and the final legally binding version of the notarial deed must be in Portuguese.

The mortgage will only be created once registered at the

Land Registry Office (Registo Predial), with the priority of the security being determined by the time the request for registration was lodged.

Although for most types of assets security can be enforced either in- court or out-court (ie, by way of out-of-court sale), security over real estate assets can only be enforced in court (ie, by way of court enforcement proceedings).

The most common types of assets over which security can be taken in real estate finance in Portugal include:

- real estate;
- shares and equity stakes;
- bank accounts; and
- receivables.

Trusts, as a property right held by one party for the use of another, are not recognized under Portuguese law. However, there are other methods which can establish a difference between legal ownership and beneficial ownership, including fiduciary

agreements (with inherent limitations).

Likewise, Portuguese law does not recognise the concept of a floating charge. However, in certain cases it is possible to include in a mortgage on the real estate asset not only fixtures but also chattels, notably by way of factory mortgage (hipoteca de fábrica).

Additionally, Portuguese law does not recognise the concept of a debenture or blanket security agreement covering all or a significant part of the assets of an entity. As a result, an individual security interest must be created in respect of each specific asset over which security is to be taken.

The rights over which the guarantee can be created cover, for example, the following:

- ownership;
- surface rights;
- right of usufruct;
- right of use and residential;
- concessions of public domain;
- right of possession;
- earnings generated by immovable assets;
- equity interests.

Foreign lenders are not subject to any kind of restrictions or legal barriers concerning the taking of security over real estate property in Portugal but registration of the mortgage on their name requires that they hold a registration number assigned by the Portuguese tax authorities in order to hold the security as a right in rem, enforceable against any third parties.

In Portugal, a company is not allowed to finance another company or to provide a guarantee or its assets, such as real estate, as security, unless (a) the company directly or indirectly benefits from the granting of such security or (b) the company which debt is being secured by such security is in a control or group relationship with the company. Under Portuguese law, there is no objective corporate benefit test which means it is up to the directors of the guarantor company to decide on a case-by-case basis. The law also provides for the prohibition of financial assistance, which means that, with some exceptions, a company cannot grant loans or create any type of security over its assets to or in favour of third parties to finance or pay for the subscription or



acquisition of shares in its share capital. All transactions that breach the financial assistance prohibition are null and void and Portuguese law does not set out any procedure to circumvent the financial assistance prohibition such as a whitewash procedure. In the absence of such procedure, a forward merger buyout (ie, a merger of the target into the borrower) operates as a whitewash procedure sui generis, it being commonly recognised as a preferable tool to optimize the security package in acquisition finance when financial assistance prohibition applies. As a general rule, there are no restrictions to payments made to foreign lenders under security documents or under loan agreements.

Enforcement

As a first step, and depending on the relevant contractual arrangements, the lender must undertake a specific enforcement court procedure to enforce the security on the basis of the borrower's default. Thus, in order to avoid judicial procedures, lenders often try to sell the real estate to a third party with the agreement of the borrowers, under satisfaction agreements.

When in distress but not yet insolvent, the debtor can resort to the Special Procedure for Revitalization ('PER' – Processo Especial de Revitalização), which involves a judicial liquidator appointed by a court who must propose the plan, the scope, the conditions and the duration of the proposed restructuring, which must then be approved by the creditors and by the insolvency court. Additionally, if the debtor is subject to a PER, the approved plan binds all creditors even if they did not enter the negotiations. Consequently, lenders, even when holding a secured credit, may be subject to the debtors' restructuring plan which, if approved by the creditors and by the insolvency court, prevents the immediate enforcement of any security (unless the security was granted by a third-party and not by the borrower itself).

Security can only be enforced if the debtor fails to perform its obligations under the approved plan. In an insolvency scenario, the registration of real securities ('garantias reais') such as

mortgages granted in benefit of the State, municipalities or social security entities may be cancelled if the registration occurred less than two months prior to the commencement of insolvency proceedings. Other mortgages can also be cancelled if the registration is not accomplished on the date of the relevant insolvency ruling.

It should be noted that the registration of mortgages with the relevant Land Registry Office is essential for the recognition of the security's existence and effectiveness. In cases of insolvency, the creditors with privileged credits such as salaries (in case of the insolvent's employees', taxes and social security contributions) and also debts towards the Treasury and the State benefit from first ranking.

Furthermore, it should be noted that if a lender finances the debtor's restructuring process within the PER proceeding and the debtor ends up being declared insolvent, its credits arising from such "new money" do benefit from a first ranking regarding other third parties' credits, although still ranking after the privileged credits of employees, Treasury and Social Security.

In principle, mortgages are next to be repaid. If there is more than one registered mortgage over the same property, the first one will be paid first, and the remaining mortgages will be paid according to their respective dates of registration.



Residence Permit for Investment Activity

“Golden Visa”

Since October 2023, it is no longer possible to apply for a residence permit for investment activities through the following types of investment:

THE LEGAL PERSPECTIVE

Capital transfers amounting to 1.5 million euros or more;

Acquisition of real estate worth EUR 500,000 or more;

Acquisition of real estate whose construction has been completed for at least 30 years or located in an urban rehabilitation area and carrying out rehabilitation works on the real estate acquired, for an amount equal to or greater than EUR 350,000.

The right to renew residence permits for investment activities, family reunification, as well as applications for permanent residence permits, in processes initiated before the entry into force of the aforementioned Law, is safeguarded.

However, such renewals and concessions will now be analysed under the Residence Permit Regime for Entrepreneurial Immigrants, and their holders must comply with the minimum period of stay of seven days, consecutive or interpolated, in the first year and fourteen days, consecutive or interpolated, in subsequent two-year periods.

The programme will remain active for the following cases:

Creation of at least 10 jobs;

Transfer of capital in the amount of EUR 500,00 or more, which is applied to research activities carried out by public or private scientific research institutions integrated into the national scientific and technological system;

Transfer of capital totalling EUR 250,00 or more, which is invested or supported in artistic production, recovery or maintenance of national cultural heritage, through central and peripheral direct administration services, public institutes, public business sector entities, public foundations, private foundations with public utility status, inter-municipal entities, local business sector entities, municipal associative entities and public cultural associations, which pursue attributions in the area of artistic production, recovery or maintenance of national cultural heritage through central and peripheral direct administration services, public institutes, public

business sector entities, public foundations, private foundations with public utility status, inter-municipal entities, local business sector entities, municipal associative entities and public cultural associations, which pursue attributions in the area of artistic production, recovery or maintenance of national cultural heritage;

Transfer of capital in an amount equal to or greater than EUR 500,00, intended for the acquisition of shares in non-real estate collective investment undertakings, which are constituted under Portuguese law, whose maturity, at the time of the investment, is at least five years, and at least 60% of the value of the investments is realised in commercial companies based in national territory;

Transfer of capital in an amount equal to or greater than EUR 500,00, intended for the incorporation of a commercial company with its registered office in Portugal, combined with the creation of 5 permanent jobs, or to increase the share capital of a commercial company with its registered office in Portugal, already incorporated with the creation of at least 5 permanent jobs or the maintenance of at least 10 jobs, with a minimum of 5 permanent jobs and for a minimum period of 3 years.

Local Accommodation Condominium Authorization

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In the event that the local accommodation establishment is registered in an independent unit of a building intended for residential and constituted in horizontal property, this registration will now be subject to a prior and unanimous resolution by the condominium to use the unit for the local accommodation activity.

The minutes of the condominium meeting authorising the installation of

the local lodging establishment must therefore be presented at the time of the prior presentation.

In the event that a local accommodation activity is carried out in an independent unit, the condominium owners' meeting can oppose the exercise of such activity, by resolution of at least two thirds

of the building's permillage. In this situation, the cancellation of the registration takes effect 60 days after the condominium's resolution is sent to the Mayor of the respective City Hall.

THE LEGAL PERSPECTIVE

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The new Tax Incentive for Scientific Research and Innovation

and the transitory rules on the NHR

The Portuguese State Budget for 2024 repealed the NHR regime. In accordance, in 2024 that regime can only be applicable in limited situations:

THE LEGAL PERSPECTIVE

01 To taxpayers that already qualify as NHR as of the entry into force of the State Budget (i.e. as of January 1, 2024);

02 To taxpayers that, as of December 31, 2023, comply with the requirements to qualify as tax resident in Portugal, as prescribed under the applicable domestic provisions; and

- Notwithstanding, it was approved and has been in force since the beginning of 2024 a new Tax Incentive for Scientific Research and Innovation (known as IFICI) This is a tax incentive for highly qualified people who earn income from dependent and independent work in the areas/activities defined as relevant.

- This incentive is generally more advantageous than the NHR as far as passive income is concerned. However, the eligibility criteria are more restrictive / strict, in that it is limited to individuals who become resident in Portugal for the purpose of carrying out scientific research and innovation activities.

- Ordinance 352/2024, of December 23, 2024 regulates the tax incentive for scientific research and innovation, provided for in Article 58-A of the Tax Benefits Statute, as well as listing the eligible professions and activities.

- The application must be submitted by January 15 of the year following the year in which the individuals become resident in Portugal, using an official form yet to be approved by the Portuguese government.

- Individuals who become resident in Portugal in 2024 can submit their application until March 15, 2025.

Therefore, individuals who become resident in Portugal and who have not resided here in the previous five years can benefit from this incentive for a period of 10 consecutive years:

- The application of a special IRS rate of 20% on income from dependent work (category A) and professional income (category B) obtained in Portuguese territory;

- The exemption from IRS of income obtained abroad relating to categories A (dependent work), B (professional activities), E (capital), F (rents) and G (assets increases) although it must be included for the purposes of determining the rate to be applied to the remaining income.

The new regime does not apply to individuals who have already benefited from the NHR regime or the Return Program regime. In addition, this incentive can only be used once by each taxpayer.



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