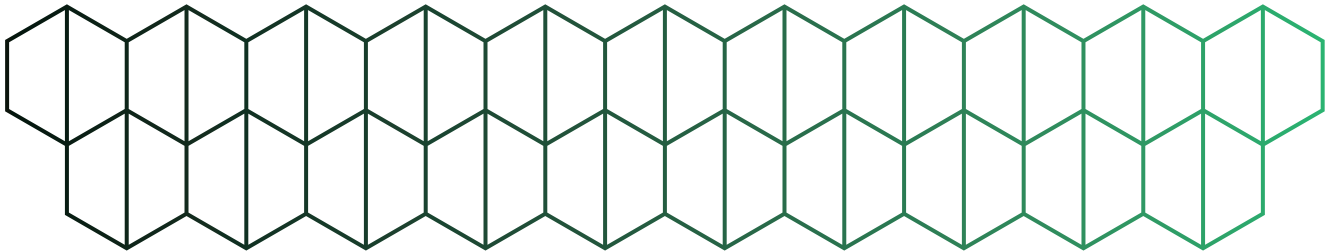


LEGAL



AT A GLANCE

PROPERTY TITLE

Full ownership (*direito de propriedade*) is the most common and the strongest form of ownership title over real estate in Portugal. The full owner of a property is entitled, within the limits of the law, to exclusive rights of use, fruition and disposal of the property, such ownership being unlimited in time (full ownership would be equivalent to a “freehold” in common law systems and to the French concept of “*droit de propriété*”);

Under Portuguese Law other forms of property tenancy are allowed, such as horizontal property (condominium), co-ownership (*compropriedade*), surface right (*direito de superfície*) and usufruct (*usufruto*).

LEASE

The assignment of use of properties for non-residential purposes, notably, commercial, industrial and office purposes is typically formalized by means of “non-residential lease agreements”, subject to the Portuguese “Urban Lease Law”. In the specific case of offices, there is a new trend, that consists on executing services agreements, whereby the assignment of the use of the office goes together with a range of ancillary services provided by the landlord (instead of pure “non-residential lease agreements”).

The Urban Lease Law is quite flexible, especially for non-residential purposes, as the most relevant features of the lease, such as duration, renewal (with some limitations), termination, rent review scheme, maintenance, works, etc., may be freely stipulated by the parties.

The lease of retail units in shopping centers, retail parks and other similar commercial schemes (such as factory outlets), is normally carried out through “shopping center contracts”. These contracts are usually very detailed agreements that govern not only the use of the shop but also the ancillary services provided by the shopping center administration to the shopkeepers and the respective service charges. Such contracts are not subject to the “Urban Lease Law” although they need to abide by the general rules applicable to contracts. These agreements tend to follow similar standards within the relevant segment in question.

The assignment of use of properties for residential purposes is typically formalized by means of “residential lease agreements”, subject to the Portuguese “Urban Lease Law”. Residential lease agreements may also be entered for non-permanent residence or for transitory purposes, such as, labour, education or touristic reasons and, in these cases, they have a specific regime.

The Urban Lease Law is reasonably flexible in relation to new residential leases (less flexible than in commercial leases, but still quite flexible). Although most of the terms and conditions may be freely agreed by and between the parties (notably, provisions related with rent, rent review, works, costs and service charges, etc.), the rules regarding term and termination are mandatory and parties are not allowed to establish otherwise. Old lease agreements have specific and more strict rules.

Although recent in the Portuguese real estate market, new forms of occupation of spaces, such as, co-working and co-living, are now emerging.

INVESTMENT STRUCTURES

Apart from the standard direct acquisition of the asset (asset deal), investors tend to structure their investments by resourcing to indirect acquisition solutions (share deal), through different alternatives, as detailed below:

- Corporate vehicles, that mainly include public limited liability companies (“*sociedades anónimas*”) or private limited liability companies (“*sociedades por quotas*”);
- Portuguese Collective Investment Undertakings, that include (i) real estate investment funds, which capital is composed by the fund’s units and (ii) public limited liability companies, which capital is

composed by shares;

- SIGI’s (the Portuguese REIT regime was enacted in 2019, in order to create an additional instrument to attract local and foreign investment for the acquisition of real estate assets and projects mainly focused on the lease market).

REAL ESTATE TRANSACTIONS

The transfer of real estate assets in Portugal (asset deal), may be performed by means of (i) a public deed, or (ii) a private document certified by a notary, a Land Registry Office or a lawyer. The transfer of title must be registered with the Land Registry Office within 30 days as from the date of the transaction.

Land Registry Offices are the entities in charge of keeping public records reflecting the description of properties and their current status, including ownership and encumbrances.

Alternatively, the transfer of real estate assets in Portugal may be performed indirectly, by means of the acquisition of shares in the property holding company (share deal). The transfer of shares may be effected by means of a private agreement between the parties.

The acquisition of shares in public limited liability companies (*sociedade anónima*) must, in certain cases, be notified to the company (notably for the registration of the shares on behalf of the purchaser) and to public authorities (tax authorities and regulatory entities). The acquisition of a stake in a private limited liability company (*sociedade por quotas* limited liability company whose share capital is represented by “quotas”) must be registered with the Portuguese Companies Registry.

FINANCING

The financing of real estate projects in Portugal is typically secured against the relevant real estate assets and/or the shares of the property-owning company and/or the property generated income.

A mortgage is the most common security provided. In case of breach of repayment obligations under a financing arrangement, a mortgage grants the creditor the right to be paid preferentially towards other non-secured creditors, from the proceeds of the sale of the mortgaged property (provided other creditors do not benefit from special privileges, which would be the case, for instance, of the tax authorities, in respect of property taxes).

Pledges of shares and receivables or credits (rents, deposits, indemnities, etc.) are also commonly included in real estate financing security packages.

PLANNING AND LICENSING

In Portugal, the building code of each Municipality is specified in the town and country planning instruments, notably, the general plan (“*Plano Director Municipal*”), the master plans (“*Planos de Urbanização*”), the (more detailed) detail plans (“*Planos de Pormenor*”).

Prior to filing a licensing request, it is possible, although not mandatory, to file a previous information request (“PIP”) in order to obtain further certitude regarding the feasibility of the intended project.

The applicable law currently foresees two types of administrative procedure entitling the execution of urbanistic operations (including: plotting and infra-structuring, construction of new buildings and modification of existing buildings):

- (I) License: The License procedure is the standard procedure applicable whenever the law does not establish specifically that the operation in question may be exempted of such procedure or subject to the mere Previous Communication.

(II) Previous Communication (a mere prior communication to the Municipality before initiating the urbanistic operation): The law specifies the specific situations where a Previous Communication is admissible.

In Portugal, the use of any real estate asset is generally subject to Municipal Use Permit, which is the document attesting that a certain construction was built in accordance with the approved construction license and stating the respective authorized use. Except when exempted, the existence of the Municipal Use Permit is also mandatory to property transfer within asset deals.

RENOVATION REGIME

Legislative changes to the urban renovation regime enacted in 2012 allowed administrative licensing procedures related with urban renovation to be more simple and straightforward and allowed mechanisms for the termination of old lease agreements for the purposes of conducting renovation works in leased properties.

Recent legislative changes have introduced some limitations in what regards the application of this legal framework, particularly in relation to (i) the protection of commercial establishments considered as having an historical interest by the relevant municipality, in which case the termination of leases for the renovation works is subject to certain constraints and (ii) by granting to the tenants, in most cases, the right to be reinstated in the leased premises, pursuant to the execution of the works, which also prevents the termination of leases, prevailing as a general rule the suspension of the lease during the period of execution of the works.

The activity of urban renovation may benefit from certain relevant tax reliefs and incentives.

GOLDEN VISA

The Golden Visa program allows the granting of a temporary residence permit for third-country nationals that intend to invest in Portugal, notably through the acquisition of real estate assets with a minimum price value of € 500,000 or through the purchase of real estate property for renovation in buildings older than 30 years or located in urban renovation areas, in which case the total investment value allowing to apply for the residence permit is lowered to € 350,000.

Once the temporary permit is granted, investors may:

- (I) Freely travel within Schengen Area;
- (II) Apply for family reunification;
- (III) Live and work in Portugal;
- (IV) Obtain permanent residence (after 5 years subject to certain terms and conditions set out by the legislation in force); and
- (V) Obtain Portuguese citizenship (after 5 years subject to the terms and conditions set out by the legislation in force).

The Golden Visa investor must stay in Portugal for a period of, at least, 7 days during the first year, and 14 or more days, in the subsequent 2-year periods.

The Non-Habitual Residents Tax Regime applies to both EU and non-EU citizens.

The regime is applicable to individuals who have not been considered residents for tax purposes in the last five years and decide to transfer their tax residence to Portugal.

Individuals who are eligible to register voluntarily as a NHR may benefit for a 10-year period from the NHR Tax Regime, provided that in each of those 10 years they are considered residents for tax purposes.

A NHR will be exempt from personal income tax on certain types of qualifying income if this income is subject to tax in the country of source under an existing Double Tax Treaty that allows for this or, if no Tax Treaty exists, is subject to tax in another jurisdiction and is not considered as Portuguese source income under domestic rules.

It is applicable a flat Personal Income Tax (IRS) 20% tax rate on the listed high-added-value activities.

AT A GLANCE TAX

ASSET DEAL

ACQUISITION OF REAL ESTATE

PROPERTY TRANSFER TAX (IMT)

Property Transfer Tax is a municipal tax levied on the transfer of real estate located in the Portuguese territory.

Property Transfer Tax is levied on the higher of (i) the declared acquisition value and (ii) the taxable value of the property.

The applicable tax rates are as follows:

- a) Urban properties used exclusively as primary residence: 6% (maximum progressive rate, according with the taxable value of the property);
- b) Rural properties: 5%;
- c) Urban properties not intended for residential purposes: 6.5%;
- d) Properties purchased by entities resident in a blacklisted jurisdiction (as detailed on the Ministerial Order 150/2004, of 13 February, as amended): 10%.

STAMP DUTY (IMPOSTO DO SELLO)

Stamp duty is levied on the acquisition of property, at a rate of 0.8%.

Stamp Duty is levied on the higher of (i) the declared acquisition value and (ii) the taxable value of the property.

PROPERTY HOLDING

MUNICIPAL PROPERTY TAX (IMI)

General regime rates (levied on the taxable value of the property):

- a) Urban properties: 0.3% to 0.45% (variable according to each municipality);
- b) Rural properties: 0.8%;
- c) Properties owned by entities resident in blacklisted jurisdictions: 7.5%.

PROPERTY INCOME

CORPORATE INCOME TAX (IRC)

Resident company:

All income is included in the taxable profits and subject to Corporate Tax Income. Currently the Corporate Tax Income rate is of 21%, accrued with municipal surcharge (up to 1.5%) and state surcharge (if applicable, up to 9%).

Non-resident investor:

Property income is subject to Corporate Tax Income at a rate of 25% levied on the amount of the lease income (limited ability to deduct costs incurred).

SALE OF REAL ESTATE

CAPITAL GAINS - CORPORATE INCOME TAX (MAIS-VALIAS-IRC)

Resident company:

Capital gains form part of the taxable profits and are subject to Corporate Tax Income according to the general rules.

Foreign investor:

Capital gains are subject to Corporate Tax Income at 25%.

SHARE DEAL

ACQUISITION OF SHARES

PROPERTY OTHER TAXES (IMT/OUTROS IMPOSTOS)

No taxation provided the target company is a public limited liability company (“*sociedade anónima*”).

If the target is a private limited liability company (“*sociedade por quotas*”) or a privately placed closed-end real estate investment fund (“*fundo de investimento imobiliário fechado de subscrição particular*”) and the acquirer purchases at least 75% of the shares of the target company or of the units of the fund, Property Transfer Tax will be levied on the transaction (as if it was an asset).

ACTIVITY

PROFITS (LUCROS)

Corporate Income Tax rate: 21%

Municipal Surtax (levied on the taxable profits before the deduction of tax losses carried forward from previous years): 0% to 1.5%

State Surtax (levied on the taxable profits before the deduction of tax losses carried forward from previous years):

- 3% from € 1,500,000 to € 7,500,000;
- 5% in what exceeds € 7,500,000 to € 35,000,000;
- 9% in what exceeds € 35,000,000.

DIVIDENDS (DIVIDENDOS)

There is a withholding tax exemption pursuant to the “participation exemption regime” provided certain conditions are complied with, namely if the shareholder holds at least 10% of the subsidiary for a minimum period of 1 year prior to the distribution.

Foreign shareholders that do not qualify for the “participation exemption” are subject to a withholding tax rate of 25%, except if they are eligible to claim double tax treaty benefits (with a possible reduction to a rate of between 5% to 15%).

Capital gains realized by resident shareholders are included in the taxable profits of the shareholder, except if the “participation exemption” regime applies (please see above). Regarding non-resident shareholders, capital gains are subject to Corporate Income Tax at a rate of 25% except if an exemption applies pursuant to the Tax Benefits Code or a double tax treaty.

If more than 50% of the assets of the company consist of real estate assets, in principle, the above-mentioned exemption does not apply and the capital gains are subject to Corporate Income Tax.

SALE OF SHARES

CAPITAL GAINS (MAIS-VALIAS)

AT A GLANCE

LOGISTICS OCCUPIERS MARKET

LISBON	Logistics Stock	Annual Average Take-up (2014-2018)	PORTO	Logistics Stock	
	2.1 Million sq m	111,000 sq m		0.7 Million sq m	
	Gross Take-Up (2018)	127,000 sq m		Vacancy Rate (Q2 2019)	
LISBON	Vacancy Rate (Q2 2019)	Prime Rent (Q2 2019)	PORTO	Prime Rent (Q2 2019)	
	5%	€3.75 sq m / month		3%	€3.50 sq m / month

HOTEL MARKET

Bed Supply Annual Average Growth (2013-2018)	Overnight Stays (2018)	RevPAR (2018)
4%	49 Million	€92
Occupancy Rate Per Room (2018)	Overnight Stays Annual Average (2015-2018)	PORTO
65%	7%	€69

RESIDENTIAL MARKET

New houses concluded (2018)	Sales contracts (2018)	Housing Price Change (2018)
12,300	178,700	10.3%
Average Sales Price of New Homes (Q2 2019)		
LISBON		
€5,600 / sq m		
PORTO		
€3,200 / sq m		



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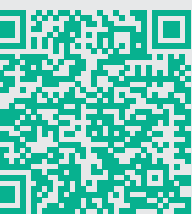
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ALL YOU NEED TO KNOW ABOUT
INVESTING IN PORTUGAL

THE PROPERTY HANDBOOK

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SEPTEMBER

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VIEIRA DE ALMEIDA



PROPERTY MARKET

INVESTMENT MARKET

Annual Average Investment Turnover (2015-2018)

€2.3 Billion

Investment Turnover (2018)

€3.5 Billion

Prime Yield (Q2 2019)

Office (Gross)

4.25%

Shopping Centre (Net)

4.75%

High Street (Gross)

4.25%

Logistics (Gross)

6.50%

Hotels (Gross)

5.00%

OFFICE OCCUPIERS MARKET

Stock
4.3 Million sq m

Vacancy Rate (Q2 2019)

5.2%

Annual Average Take-up (2014-2018)

158,000 sq m

Gross Take-Up (2018)

206,500 sq m

Prime Rent (Q2 2019)

€23 sq m / month

Annual Average Take-up (2016-2018)

53,000 sq m

Gross Take-Up (2018)

82,000 sq m

Prime Rent (Q2 2019)

€18 sq m / month

RETAIL OCCUPIERS MARKET

Stock in Retail Schemes (Q2 2019)

3.7 Million sq m

Stock in Shopping Centres (Q2 2019)

2.9 Million sq m

Shopping Centre Prime Rent (Q2 2019)

€95 sq m / month

HIGH STREET

Lisbon High Street Prime Rent (Q2 2019)

€130 sq m / month

Porto High Street Prime Rent (Q2 2019)

€62.5 sq m / month

Lisbon Prime Locations

CHIADO
AV. LIBERDADE
RUA AUGUSTA

Porto Prime Locations

R. DE SANTA CATARINA
CLÉRIGOS
ALIADOS