

THE PROPERTY HANDBOOK

ALL YOU NEED
TO KNOW ABOUT
INVESTING IN PORTUGAL

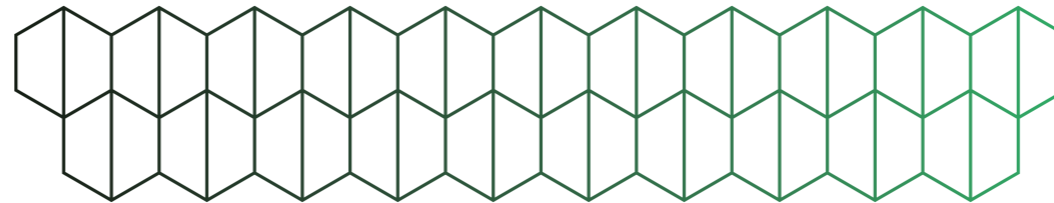
2017

CBRE

VdA VIEIRA DE ALMEIDA



PROPERTY MARKET



AT A GLANCE

INVESTMENT MARKET

Investment Turnover (2016)

€1.3

billion

10 yr Average Investment Turnover (2007-2016)

€830

million

Prime Yield (Q2 2017)

Office (Gross)

4.80%

High Street (Gross)

4.75%

Shopping Centre (Net)

5.00%

Logistics (Gross)

6.50%

OFFICE OCCUPIERS MARKET

LISBON

Total Stock:

4.6

million sq m

Gross Take-up (2016):

144,000

sq m

Vacancy Rate (Q2 2017):

9.7%

10 yr Average Take-Up (2007-2016):

134,000

sq m

CBD Prime Rent (Q2 2017):

€19

sq m / month

PORTO

10 yr Average Take-Up (2007-2016):

18,500

sq m

Gross Take-up (2016):

41,000

sq m

CBD Prime Rent (Q2 2017):

€13.5

sq m / month

RETAIL OCCUPIERS MARKET

RETAIL SCHEMES

Total Stock in Retail Schemes (Q2 2017)

3.6

million sq m

Total Stock in Shopping Centres (Q2 2017)

2.8

million sq m

Shopping Centre Prime Rent (Q2 2017)

€95

sq m / month

HIGH STREET

Lisbon High Street Prime Rent (Q2 2017)

€130

sq m / month

Porto High Street Prime Rent (Q2 2017)

€45

sq m / month

Lisbon Prime Locations

CHIADO

AV. LIBERDADE

RUA AUGUSTA

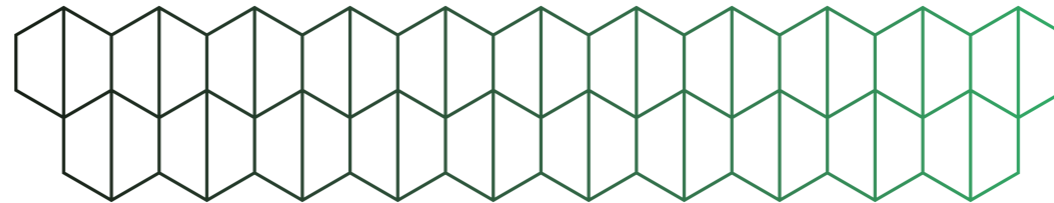
Porto Prime Locations

R. DE SANTA CATARINA

CLERIGOS



PROPERTY MARKET



AT A GLANCE

LOGISTICS

OCCUPIERS MARKET

LISBON

Total Stock:

2

million sq m

10 yr Average Take-Up (2007-2016):

164,000

sq m

PORTO

Total Stock:

0.6

million sq m

10 yr Average Take-Up (2007-2016):

40,000

sq m

Gross Take-up (2016):

51,000

sq m

Vacancy Rate (Q2 2017):

9%

Prime Rent (Q2 2017):

€3.50

sq m / month

Gross Take-up (2016):

146,000

sq m

Vacancy Rate (Q2 2017):

16%

Prime Rent (Q2 2017):

€3.50

sq m / month

RESIDENTIAL

MARKET

Number of homes/ Number of households

1.4

Highest number of new houses concluded in a year

126,000 (in 2002)

New houses concluded (2016)

7,250

Highest number of Sales Contracts in a year

230,000 (in 2000)

Sales Contracts (2016)

127,000

Housing Price Change (2015 - 2016)

7.1%

Average Sales Price of New Homes(Q1 2017)

Lisbon

€4,200

Porto

€2,100

HOTEL

MARKET

Annual Average Growth (2007-2016)

Beds Supply

2.3%

Overnight Stays

3.4%

Overnight Stays (2016)

54

million

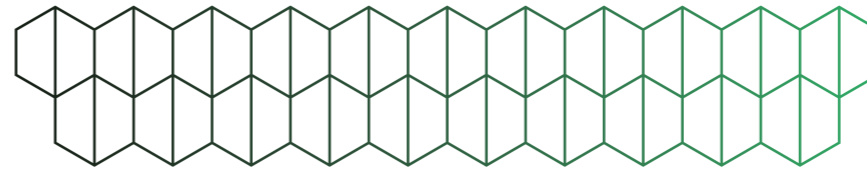
Occupancy Rate Per Room (2016)

63.5%



THE PROPERTY HANDBOOK

LEGAL



AT A
GLANCE

PROPERTY TITLE

Full ownership (*direito de propriedade*) is the most common and the strongest 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), surface rights (*direito de superfície*) and usufruct (*usufruto*).

LEASE

The assignment of use of properties for commercial, industrial and office purposes is typically formalized by means of “standard lease agreements”, subject to the Portuguese “Urban Lease Law”.

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

The lease of retail units in shopping centers, retail parks and other similar commercial schemes, 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.

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.

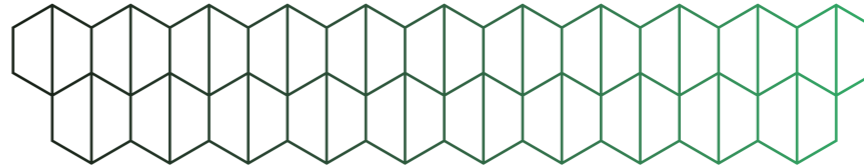
Alternatively, the transfer of real estate assets in Portugal may be performed indirectly, by means of the transfer of shares in the property holding company (share deal). The transfer of shares may be effected by means of a private agreement between the parties. The acquisition of shares in public limited 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* - a company whose share capital is represented by *quotas*) must be registered with the Portuguese Companies Registry.





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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), and 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.

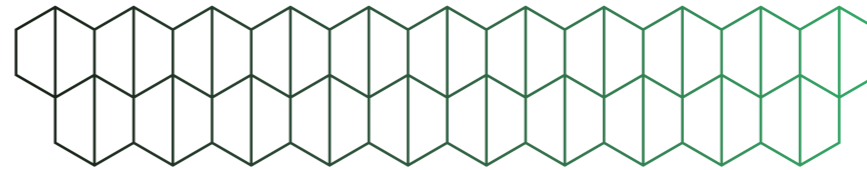
Recent legislative changes have introduced some limitations in what regards the application of this legal frame-work, particularly in relation to the protection of commercial establishments considered as having an historical interest by the relevant municipality, in which case the termination of leases for renovation works is subject to certain constraints.

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



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FOREIGN INVESTMENT

There are no limitations to foreign direct investment in real estate in Portugal.

Nevertheless, investors may need to comply with certain tax formalities, particularly in what regards obtaining a Portuguese taxpayer number, being that investors with tax residence in a non-EU country need to appoint a Portuguese tax representative (either individual or legal entity) mainly for the purposes of receiving notifications from the Portuguese tax authorities.

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 6 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 period.

NON HABITUAL RESIDENTS TAX REGIME

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 move 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, were subject to tax in another jurisdiction and are not considered as Portuguese source income under domestic rules.

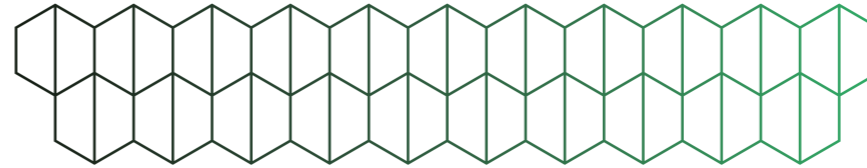
It is applicable a flat PIT (Personal Income Tax) 20% tax rate on the listed high-added-value activities.





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TAX



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ASSET
DEAL

ACQUISITION
OF REAL
ESTATE

PROPERTY
TRANSFER
TAX (IMT)

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

SD (Stamp Duty) is levied on the acquisition of property, at a rate of 0.8%.

SD 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 CIT. Currently the CIT rate is of 21%, accrued with municipal surcharge (up to 1.5%) and state surcharge (if applicable, up to 7%).

Non-resident investor:

Property income is subject to CIT 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 - CIT
(MAIS-VALIAS
- IRC)

Resident company:

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

Foreign investor:

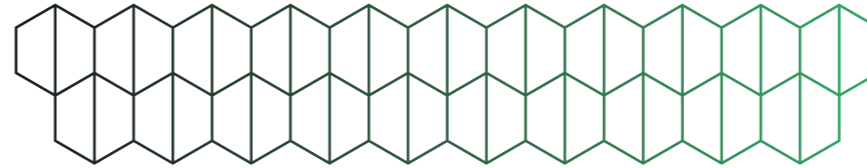
Capital gains are subject to CIT at 25%.





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SHARE DEAL

ACQUISITION OF SHARES

PPT /OTHER TAXES (IMT/OUTROS IMPOSTOS)

No taxation provided the target company is a public limited liability company ("sociedade anónima"). If the target is a limited liability company 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, PPT will be levied on the transaction (as if it was an asset).

ACTIVITY

PROFITS (LUCROS)

CIT 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.
- 7% 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%).

SALE OF SHARES

CAPITAL GAINS (MAIS-VALIAS)

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 CIT 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 CIT.





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