



***EUROPE'S MOST SUCCESSFUL GOLDEN
VISA PROGRAM: PORTUGAL'S
€280K TO €400K OPPORTUNITIES***

OVERSEAS WEALTH ONLINE SUMMIT

NOVEMBER 2020





Current context



- 45,000 transactions Jun-Aug, similar to 2019, indicates recovery after initial Covid-19 impact
- Agency sales played a much greater role than direct, private transactions
- Lisbon new build drop in price, maybe due to oversupply and Golden Visa effects
- Falling investment implies less new build product, meaning little downwards pressure on sales prices
- Yields (3-5%) under pressure due to Covid-19 travel restrictions and local lodging rules
- Source of demand: UK buyers have tumbled, French and Swedish have surged. Belgium, US and Brazil are the new Germany and Holland. Market much more cosmopolitan.
- Availability: continued lack of supply of new-build or modern apartments. Historical city center “deals” a thing of the past. Refurbishing buildings now only market for millionaires. GV new build or refurbishments overpriced – studios in Lx for €350K
- Regulation: due to “over-tourism” in key areas, government has approved additional powers for municipalities and HOAs, limiting short-term tourism licensing in key cities



Algarve
SENIOR LIVING

Portugal: blockbuster option for residency

1. The fundamentals: safety (3rd safest); friendly folk (2nd best at integrating migrants); ease of travel and connectivity; 12th best healthcare, up to 90% cheaper than US
2. The exchange rate: few fluctuations, 2020 USD : EUR rate similar to 2017
3. Popularity and reputation: No longer a “best kept secret” but “Best Place in the World to Retire” for 7 years in a row. The family favorite turned preferred retirement destination
4. Awards: too many to mention and increasing all the time, mainly in travel and tourism
5. Low cost of living (lowest in W. Europe): with the exception of housing and fuel/gas/electricity, inflation relating to other costs has remained surprisingly low e.g. food, eating out, entertainment, telecommunications, travel
6. Golden Visa including 4 real estate categories: €500K, €400K, €350K, €280K
7. Taxes:
 - a) Non Habitual Residency (NHR): 10% tax on some foreign income including pensions
 - b) Alojamento Local (short-term rental) tax: 14%, plus 6% VAT above threshold
 - c) Long-term rental tax: 25-28%
8. Attractiveness to retirees: including the D7 visa via proof of income
9. The ability to rent OR buy to access many of the residency and tax programs

Why the Algarve?



- Voted the Best Place in the World to Retire, 8+ years in a row
- Voted among Europe's Top 10 places to live for American expats to live, work and invest
- Some of the best beaches, golf courses and marinas in the world
- Existing multinational expatriate population. English very widely spoken
- Food and wine among best and freshest in the world. Largest fish consumer in Europe
- Attractive and well-priced real estate. Algarve much less developed than Spain
- Many sporting, nature, historical attractions and activities
- A high degree of anonymity and respect for privacy
- Is the Algarve Europe's most famous secret? 8.5 million a year visit it, most in the summer!
- Excellent location to enjoy Portugal's tax-free NHR program



Golden Visa as residency solution



- Four Golden Visa categories:
 - €280K, €350K, €400K, €500K
 - Depend essentially on location
- Where do Golden Visa buyers want to buy?
 - Lisbon historical neighbourhoods, followed by Porto historical areas
 - Short-term revenue generating properties
 - False expectation of values coming down – no one wants to spend €500K if they can get a €350K Golden Visa in Lisbon or Porto
 - Light on due diligence, driven by low cost, even if price/sqm is exorbitant
- Where should Golden Visa buyers be considering?
 - Inland at €280K: keep it as cheap as possible
 - €350K redevelopment on the coast: keep the profits instead of allowing developers to take them
 - €400K low density on the coast: much more bang for your buck, and better yields



D7 as residency solution



- What is required?
 - Proof of income, from pensions, investments (some types of real estate income considered)
 - Health insurance
 - Sometimes proof of funds in local account
 - Criminal clearance from country of residence
 - MOST IMPORTANT: rental contract or proof of ownership
- Rent OR buy:
 - Rental: Rental contract with residential “characteristics”
 - Rent-to-buy: Shorter rental contract with the stated objective of buying a home
 - Buy: Proof of ownership with no minimum purchase amount
- What geographic areas do most D7 applicants choose?
 - Algarve: most expats, English widely spoken,
 - Greater Lisbon: good for intercontinental, international access, larger city
 - Porto, sometimes Silver Coast: more traditional area, cheaper if not on coast



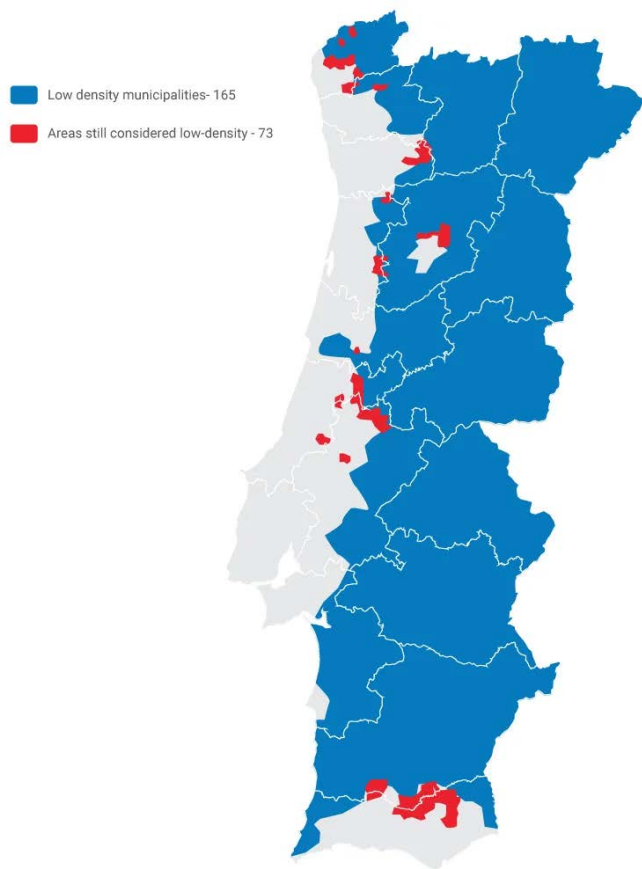
GV and purchasing costs



- **Closing costs on property purchases**
 - Closing costs (typically 5-8 % of purchase price):
 - Transfer tax: sliding scale from 0-8%. Land fixed 6%. Properties above €1M: 7.5%
 - Stamp duty: fixed 0.8%
 - Legals: typically 1% + VAT
 - Incidentals, including notary, expenses: €500
 - Land held by companies in administration: IMT exempt
- **Golden Visa application costs and procedures**
 - Around €5,300 per applicant and €2,700 per renewal. Processing fee of €530 per main applicant and €80 per family member
 - Lawyer fees: many lawyers charge between €3,000 and €10,000 to process. Some lawyers will do a “packaged” deal for both GV application and property purchase process
 - Typically 3-6 months

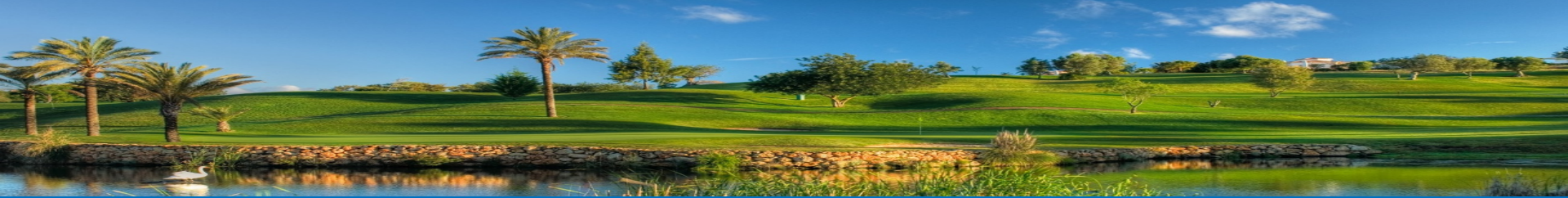


Possible Golden Visa changes*



- Cyprus and Malta have suspended Golden Visa programs due to claims of corruption and threats from the EU
- The Portuguese Golden Visa program offers residence. Citizenship is possible after 5 years
- Portugal has received over €6 billion in Golden Visa investment. Tax revenues have been significant
- Chinese still largest investors, followed by Brazil, Russia, S. Africa. There has been a 10-fold increase from US applicants
- The Portuguese government approved a change to the Golden Visa program, driven by a sharp rise in investment product and high prices for locals, in Lisbon and Porto
- This proposed suspension of the program in main cities
- This was then apparently extended to “coastal” areas but then further clarified to exclude “high density” areas
- This change was suspended due to Covid-19
- There is talk again of implementing the change in 2021

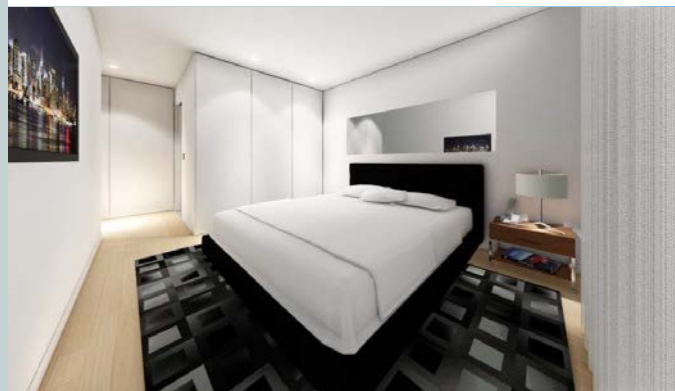
*** THESE ARE NOT YET CONFIRMED BUT BASED ON MEASURES PROPOSED IN EARLY 2020 AND SUSPENDED DUE TO COVID-19**



€280K inland



1. FOCUS: CHEAPEST PRICE
2. Among the cheapest GV in Europe
3. Large properties at 125 m² (1350 sqft.)
4. New build at €2,250/m²
5. Fixed income of 4% for up to 5 years
6. Lovely locations but more distant from airports etc.
7. RISKS: not realistic to predict revenue post-5 years NOR exit. Inland properties take longer to sell.





€400K low density coastal



1. FOCUS: RENTAL HISTORY
VALUE FOR MONEY,
POTENTIAL GROWTH
2. 145 m² (1560 sqft), plus
terraces
3. Competitive €2,650/m²
4. 1-year guarantee 7%,
then 6% p.a.
5. Lovely golf course
location, 15 minutes from
Lagos, good second
home close to
international schools
6. Low HOA €2,500 p.a.
7. RISKS: difficult to predict
future exit. Golf course
resorts affected by crises.





For more information



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