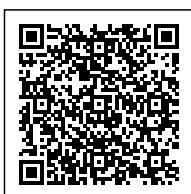


GOOD YIELDS IN REAL ESTATE MARKET ATTRACTING INVESTORS - URÍA MENÉNDEZ-PROENÇA DE CARVALHO

Posted on 27/10/2016



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Good yields in the Portuguese real estate market, along with growth in the tourism sector are generating a significant amount of work for lawyers, according to Duarte Garin, managing partner of Uría Menéndez-Proença de Carvalho in Lisbon.

"Right now, the Portuguese market is being driven by three sectors – real estate, banking and tourism," he says. "Real estate, in particular, has been one of the main drivers for our firm over the last 12 months." Garin adds that such activity is not just confined to tourism, or foreigners acquiring properties for non-habitual resident tax purposes, but also commercial real estate-related business. "There are now hotels popping up like mushrooms – in fact, many owners of small buildings want to convert them into boutique hotels," he says.

Regarding the reasons for such activity, Garin believes that aside from Portugal's current "trendy status", there are several other factors at play. "Despite significant growth, it's becoming more difficult for investors to acquire real estate in Europe as the yields have compressed too much," he says. "Compared to other European countries though, Portugal still has some interesting yields."

Furthermore, while Portugal echoes Spain in terms of real-estate activity being mainly confined to the high-end of the market – that is, international investors trying to acquire core properties in a good location with quality tenants – unlike its neighbour, Portugal is focused on existing properties and has not had to deal with the effects of a burst property bubble. “Portugal has always had a much smaller housing market,” says Garin. “The property demand was never the same as it was Spain, where you were anticipating the demand would just continue for a couple of years, only to wake up with a stockpile of never-ending houses.”