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Real Estate 2026

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Portugal: Trends & Developments

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PORTUGAL

Trends and Developments

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PLMJ

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The Portuguese Economy at a Glance

Portugal appears to be outperforming the Eurozone average. It has demonstrated notable resilience, driven by strong domestic demand, a thriving job market and structural shifts. Notably, it was recognised as the Economy of the Year by The Economist.

Portugal's position as the 4th most open country for international investment is further supported by its ranking of 4th in the Organisation for Economic Co-operation and Development ("OECD's") Foreign Direct Investment ("FDI") Regulatory Restrictiveness Index. Portugal offers minimal structural barriers to foreign equity ownership. The accumulated stock of foreign direct investment accounts for 69% of Portugal's national wealth, and it is placed among the highest in the OECD for international asset integration as a result.

Data from the Bank of Portugal indicates that real estate and construction consistently represent over 15% of the country's total accumulated FDI stock. The market has successfully transitioned from individual retail buyers to large institutional investors, including pension funds, insurance firms and sovereign wealth funds. This international capital inflow has evolved beyond luxury housing, increasingly targeting institutional-grade commercial, logistics and structured living assets.

Macro Picture

- Portugal's GDP grew by 1.9% in 2025, representing a slowdown of 0.4 percentage points relative to the 2.3% recorded in 2024. However, this figure still outpaces the 1.4% growth recorded by the euro area;
- according to the European Commission ("EC") forecast, GDP is expected to grow by 2.2% in 2026. This growth is supported by rising real incomes, strong internal demand, and the accelerated implementation of Recovery and Resilience Plan ("RRP") funds. The International Monetary Fund ("IMF") has revised Portugal's 2026 forecast downwards to 1.9% due to the escalation of the Middle East conflict and the blockade of the Strait of Hormuz;
- by the end of 2025, inflation had slowed to 2.2% by the metrics of the Harmonised Index of Consumer Prices ("HICP"), with further falls expected to 1.9% of Consumer Price Inflation ("CPI") in January 2026. The public finances concluded 2025 with a surplus of 0.7% of GDP, while public debt fell to around 89.7% of GDP, surpassing the Portuguese Government's own target of 90.2% and reaching the lowest level since 2009;
- the tourism sector concluded 2025 with new record figures for guests, overnight stays and turnover. According to the Instituto Nacional de Estatística ("INE"), the sector recorded 32.5 million guests (+3.0% year-on-year) and 82.1 million overnight stays (+2.2%), generating EUR7.2 billion in accommodation revenues (+7.2%) and an estimated EUR29.1 billion in total tourism receipts, surpassing the previous record of EUR27.7 billion set in 2024. Growth was primarily driven by domestic tourism, with the US market demonstrating particularly strong performance among non-residents; and
- the labour market remained robust, with employment growing at a strong pace, and the unemployment rate averaging 6.3% in 2025 (according to EC data). According to the OECD/EC consensus

estimate, unemployment is projected to decrease further to approximately 6.1% in 2026.

Outlook for the Real Estate Market

Portugal's commercial real estate market reached a significant three-year high in 2025. The total investment volumes closed at approximately EUR2.8 billion in 2025, representing a 17% to 21% year-on-year surge across more than 100 closed deals.

International capital maintained its dominant position in the market, accounting for 60-70% of total investment. A distinct geographical shift occurred: foreign capital is predominantly sourced from Europe, with 88% of all investments originating within the continent. This influx is primarily driven by cross-border flows from key players such as Spain, Canada, France and the United Kingdom, and it represents a temporary shift in investment strategy by US mega-funds. Domestic capital strengthened its market share to a solid 33%.

Trends to Watch in 2026

Primary and secondary hubs

High pricing and low inventory in prime areas of Lisbon and Porto are prompting institutional and residential buyers to explore secondary markets, with significant capital being directed towards the Algarve (Golden Triangle), Comporta, Melides and commuter towns. Portugal is also expected to benefit from a deflection effect, as geopolitical instability and conflict in regions such as the Middle East and Eastern Europe drive high net worth individuals and investors to seek safer, more stable residential markets in Western Europe.

Turn-key purchases and ESG penalties

Projects leveraged on Return on Investment ("ROI") have historically struggled to achieve viability, and despite some positive news recently, this trend persists. This is driving investor preference towards "turn-key" properties that are ready for immediate occupation. For such assets, compliance with international Environmental, Social, and Governance ("ESG") standards is considered critical to secure liquidity. Conversely, properties lacking clear ESG roadmaps are facing sharp "brown penalties" in terms of liquidity and asset value.

The build-to-rent ("BTR") challenge

Developer confidence is showing signs of recovery, as evidenced by a 21% year-on-year increase in new building permits. However, while the government's *Construir Portugal* programme, which reduces construction VAT to 6%, will have an impact, achieving a broader effect will still require further coordination between town halls and central government to effectively stimulate the country's underdeveloped BTR sector. Current incentives remain largely aligned with buy-to-sell models, meaning a meaningful shift towards BTR will depend on additional policy adjustments.

Performance by Sector

- Retail emerged as the leading capital allocator of 2025, securing 30% of total investment (approximately EUR847 million). High street retail experienced a landmark year, with 239 new store openings (47% of which were food and beverage outlets), supported by a 5% year-on-year increase in national retail sales. The sector demonstrated notable liquidity, with five major projects commencing construction;
- the most significant transaction was the acquisition of 50% of NorteShopping by Sonae Sierra, with an estimated value of between EUR300 and EUR350 million. Retail parks continued to attract investor interest, with five new projects under construction;
- the office sector performed particularly well, with investment reaching EUR666 million (+159% year-on-year). Greater Lisbon recorded exactly 204,241 sqm of take-up across 169 transactions. The Central Business District (Zone 2) was the primary hotspot, accounting for 46% of total demand;
- hospitality captured 20% of the market share and saw its revenues rise from EUR540 million to EUR567 million. Approximately 2,900 new hotel rooms were delivered over the course of the year;
- Purpose-Built Student Accommodation ("PBSA") has now been officially consolidated into a mature institutional asset class. Nido Living has acquired the Livensa Living portfolio, comprising 2,470 beds, for EUR300 million. This represents the second-largest overall transaction of the year in Portugal;
- the logistics sector absorbed 485,000 sqm, driven by nearshoring and e-commerce. However, total

take-up was heavily capped by an acute shortage of modern, high-volume warehouse inventory. Hotel investment reached EUR540 million, representing a 15% year-on-year increase. In 2025, approximately 2,900 new rooms were delivered, which is one of the highest numbers recorded; and
- the residential sector continues to experience significant challenges due to a substantial and long-standing supply-demand imbalance. The broader House Price Index ("HPI") surged by a substantial 17.7% to 22.4% year-on-year. In Lisbon, prime areas averaged EUR5,200 per sqm; in Porto, EUR3,700 per sqm. The structural undersupply remains the central constraint, with annual completions far below the 53,000-unit average of the 2000–2011 cycle.

The Portuguese Real Estate Legal Ecosystem

Housing and structural licensing reforms remain a top priority for Portugal's legislative agenda, with the transition from the *Mais Habitação* restrictions to the *Construir Portugal* strategy marking a shift in the executive's approach.

New legislation and regulation

Housing package

In March 2026, the Portuguese Government approved a legislative package focused on housing. This is still subject to mandatory consultations and further legislative steps before entering into force. The package's primary objective is to increase housing supply and promote the residential rental market. It combines tax incentives, regulatory simplification and procedural acceleration measures.

The measures include targeted fiscal incentives to catalyse new supply and support the rental market. They include:

- a reduced 6% VAT rate (from the standard 23%) is applicable for construction and rehabilitation works for residential purposes, subject to certain requisites;
- until the end of 2029, the IRS (personal income tax) and IRC (corporate income tax) rates applicable to residential rents up to EUR2,300 per month will be reduced, including a 50% exclusion of rental income from the corporate tax base for moderate-rent housing;
- an exemption from capital gains tax is available for proceeds reinvested in properties designated for residential leasing at rents not exceeding EUR2,300;
- exemptions from municipal property transfer tax and stamp duty for controlled-cost housing;
- the creation of an Investment Agreement for Residential Leasing (*Contratos de Investimento para Arrendamento* – "CIA") is a key element of the programme, with the aim of providing fiscal benefits for investments in construction, rehabilitation or acquisition of properties for residential leasing or sub-leasing over a period of up to 25 years; and
- the introduction of the Simplified Accessible Rent Regime (*Regime Simplificado de Arrendamento Acessível* – "RSAA") establishes lease agreements with rents capped at 80% of the median rent per square metre in each municipality.

Concurrently, a significant reform of the legal framework for urban development operations is underway, granting the government the authority to review the licensing regime and make amendments to both the Legal Framework for Urbanization and Building ("RJUE") and the Legal Framework for Urban Rehabilitation. A key market practice change will require, in deeds transferring ownership of urban property, an express statement confirming whether the property does or does not have a valid urban title (*título urbanístico*), replacing the former informational duty with a clear confirmation that will typically call for prior due diligence; transactions may still proceed without such title if its absence is expressly recorded.

In addition, the standard procedure will be to request prior notification (*comunicação prévia*) whenever the applicable urban planning parameters are fully defined, with the aim of further streamlining the permitting process.

Undivided estates (heranças indivisas)

Another new piece of legislation is the introduction of a fast-track mechanism to resolve undivided estates (*heranças indivisas*), including:

- Succession arbitration; and

- sale and division procedures aimed at avoiding situations where individual heirs can veto decisions, thereby unlocking long-stalled residential assets.

In addition to these measures, the package includes provisions to streamline eviction processes, such as extending deadlines, broadening summary procedures and enhancing enforcement capabilities. It also establishes an emergency housing fund to provide immediate assistance and financial support in cases of urgent housing needs.

Preventive measures – Lisbon New Airport

Council of Ministers Resolution no. 30/2026, of 20 February, establishes preventive measures in the zone designated for the Lisbon New Airport (*Alcochete*) and its surrounding area, with the stated purpose of "preventing changes to existing circumstances and conditions that may compromise the execution" of the project. These measures have direct implications for the real estate market in the Alcochete/Montijo region, effectively freezing certain land use changes and development operations within the affected perimeter.

Local lodging – developments

Following the entry into force of *Decree-Law 76/2024* of 23 October, which reversed the main *Mais Habitação* restrictions on local lodging, the Municipality of Lisbon initially extended the suspension of new registrations until a new municipal regulation was adopted.

In December 2025, the Municipal Assembly approved a revised Municipal Regulation on Local Lodging, which replaced the former *Zonas de Turismo Homogénea* s with a parish-based geographic framework, and introduced two categories of containment areas (absolute and relative), determined by the ratio of local lodging registrations to permanent housing units.

In these areas, the transfer of a registration in the "apartment" or "single-family dwelling" categories triggers its automatic expiry, and new registrations require an exceptional municipal authorisation, subject to specific conditions, including that the property was not under a residential lease in the preceding five years. The regulation also established a Local Lodging Monitoring Commission, strengthened inspection powers and imposed record-keeping obligations on operators. The previous suspensions ceased upon the regulation's entry into force.

Amendments to the Simplified Cadastral Regime

In April 2026, amendments were made to the Simplified Cadastral Information System ("SCIS") and the *Balcão Único do Prédio* ("BUPI") to facilitate the mapping, registration and utilisation of rural and mixed property data. The following measures were introduced:

- A streamlined process for entering omitted plots and annexing adjoining parcels via BUPI;
- mandatory citation of the georeferenced graphic representation (RGG) in deeds, registries and procedures that alter boundaries;
- utilisation of RGG in public funding applications;
- temporary fee and tax relief extended to 30 September 2026; and
- the establishment of a timetable to complete RGG for public sector assets by 31 December 2027.

Lease rent updates for 2026

In accordance with Portuguese law, annual rent adjustments are determined by a coefficient published by the National Statistics Institute ("INE"). This coefficient is based on the CPI, with housing excluded from the calculation.

For 2026, the coefficient has been set at 1.0224, allowing a maximum rent increase of 2.24% (*Notice No. 23174/2025/2*). This is broadly in line with the 2025 figure, confirming a return to stability after the 2024 spike driven by post-pandemic inflation.

The coefficient is the default rule (it applies automatically where the lease is silent on rent updates). The 2.24% cap provides a clear baseline for budgeting and revenue forecasting on portfolios relying on the statutory default.

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