Portugal has around 5 per cent of the total European second home market in terms of volume and around 12 per cent of the total in terms of value. We’re the fourth largest market after Spain, France and Italy and second homes represented approx €1bn in export value each year to the Portuguese economy between 2000 and 2008.

At the time of the crisis the Portuguese Government recognised the need for a fiscal law to attract people to become resident and the need to find a way to attract non-EU citizens too. The Non Habitual Residents tax regime and Golden Residence Permit were implemented in 2009 and 2012 respectively, but until 2014 property sales remained slow. It’s a fact that you need a stable economy: people won’t buy or invest if you don’t have that. And we saw that as soon as the bailout was over, customers returned and the quantity and value of sales rose again.

Portugal has always been a solid market. We didn’t have a big price bubble here and there’s not an excess of empty stock. In fact the problem now is that we are low on new product. Demand is starting to outstrip supply.

During the crisis, developers weren’t building and the Algarve in its most established and expensive areas such as Vale do Lobo Quinta do Lago and Vilamoura, is running out of new product; at Pine Cliffs people are having to buy off plan; and at Martinhal they’re also almost out of product. As a resort operation Oceânico is one of the few with product available right now.

Now we need to start building again. It takes around 18 months to deliver a development and while that happens supply will be low. But I think that’s strategically good for the market because over the next two years we’ll see values rise.

Looking ahead, we see opportunities to attract new markets. When it comes to second homes, almost 95 per cent of people buy on the same continent in which they live. It’s a question of access. Approximately 15 per cent of people in northern Europe with free wealth of more than €2 million have a second home in southern Europe. But if you apply the same criteria to wealthy individuals in Eastern Europe it’s less than 0.5 per cent.

I think in future we’ll see Polish buyers here. It’s a big market of almost 40 million people and they’re becoming richer. I think we will see Russian buyers, too. Russia a market of 140 million people, more than twice the size of the UK, and there are many Russians with the potential to buy property at €500,000 to €1.5m. Assuming the current economic crisis in the country improves, it will be a huge market for southern Europe and the Algarve in the future.

The Algarve is one of the few places in Europe where you can play golf in your shorts all year round. Portugal has no political problems, a track record of property liquidity, clear fiscal rules, religious tolerance and a welcoming, English speaking population. I truly believe we have the best conditions for second home-buyers, whether that’s for holiday homes or retirees.
A return to confidence
Trish Lorenz, a Lisbon based journalist who writes about Portugal, real estate, culture and travel.

Buyers are spending more. The ILM survey showed that enquiries for properties between €250,000 and €2m rose by 7 per cent over the last year.

The financial crisis left its mark on many markets, impacting property values around the globe. Among those hardest hit was Portugal. At the depths of the crisis, the country made headlines for all the wrong reasons: government bailouts, struggling industry, falling wages and rising unemployment. Inevitably, investment in the country was scaled back and the property sector suffered.

But sometime around 2013, things in Portugal started quietly to improve and have since gathered momentum. The Portuguese government has been praised for its austerity and debt management programme and for beginning pay back of its loans. Industry is recovering, economic growth is returning and property values, too, are regaining ground.

On the sunny southern coast of the Algarve, Portugal’s most visited and best known holiday and second home property region, developers and estate agents have been reporting a return to confidence in the market.

“Last year, 2014, was a very good year, the turn-around year for us. It was the best year, in terms of sales achieved, since 2006. We started to see our traditional clients, those buying a house for their family to enjoy over the long term, return to the Algarve,” says Alda Filipe, real estate and marketing director at Vale do Lobo, one of the region’s premier resorts. “We are also seeing clients who want to build again and our turn-key villa construction projects today cost on average around €2.5m.”

Joost Last runs Quinta Homes, a luxury real estate business in Quinta do Lago, often cited as the region’s premier resort area. He agrees with Filipe. “Sales are picking up again,” he says. “The people who buy here still had money during the crisis but the news around Portugal was bad and people held back on investing. In the last 18 months there’s been none of that bad news, the country is politically stable and there’s a good exchange rate for British buyers, all of which are helping the turn around.”

In the ILM survey, 90 per cent of respondents indicated that confidence levels in June 2015 were the higher than at the beginning of 2014. “Potential clients seem to be better informed, and there is more confidence in the Portuguese economy.”

This confidence in the market isn’t limited to the Golden Triangle of Quinta do Lago and Vale do Lobo. Central Algarve agents are also seeing buyers return. “We’ve sold several properties priced between 1-3 million euros in the last two months,” says Zoie Hawker, managing partner of Fine and Country estate agents in Carvoeiro. “That wasn’t happening two years ago but now confidence is back.”

Further west, David Westmoreland is managing director of B&P Real Estate in Lagos. “We’re seeing a real increase in the level of sales and in the quality of clients,” he says. “Last year was busy and this year we’re on target to exceed that by 30 per cent,” he says.

The Algarve: market overview
Situated in the south of Portugal, some two hours from the country’s capital Lisbon, the Algarve is primarily known for its temperate climate, unspoilt beaches and a golf offer that’s among the best in the world.

The region stretches westwards from Vila Real de Santo Antonio, which borders Spain through to Faro and the Golden Triangle of upmarket resorts such as Vale do Lobo, Quinta do Lago and Pine Cliffs. The centre of the region is home to picturesque fishing villages such as Carvoeiro and more mass.

Trish Lorenz, a Lisbon based journalist who writes about Portugal, real estate, culture and travel.
market offerings such as Albufeira. Further west, past Portimao, the region regains a more traditional feel with towns including Lagos and Sagres increasingly attracting international investors.

The Algarve’s climate is one of its greatest draws. Moderate temperatures and low rain year round, make it a very appealing holiday destination. Temperatures in the summer, from May to August can reach 30°C, but coastal breezes help it feel cooler. During the spring and autumn, temperatures average a pleasant 17°C to 19°C and even in winter, a brief stretch from November to February, the climate is moderate and mild with bright sunny days and temperatures around 16°C.

The area is home to some of Europe’s best unspoilt beaches. There are more than 150 along the 200km coastline, varying from small sheltered coves to broad sandy stretches. And unlike some coastal areas in southern Europe, many of the Algarve’s beaches are protected from over building by rigorous planning regulations. If you find a property with a sea-view it’s unlikely you’ll lose the view to further development.

“Planning regulations in many areas stipulate that building within 500m of the beach is limited or prohibited so we have huge chunks of beach front land that can’t be built on and miles and miles of unspoilt beaches,” says Alison Buechner Hojbjerg, director of Quinta Properties, Savills associate in Quinta do Lago.

Proximity and low cost flights are another reason buyers are returning. Those countries, such as the United Kingdom, which have access to direct, daily, year round flights to Faro, are the region’s biggest customers.

“The Algarve has also managed to retain a level of authenticity and discrete, rather than ostentatious wealth, which attracts a specific clientele.

“We offer luxury at the same level as St Tropez and Marbella but it’s less flash,” says Joost Last of Quinta Homes. “People can be under the radar here.” Buechner Hojbjerg agrees. “We don’t have the glitz and glamour of some destinations. There are no Chanel shops and no modern casinos, so we attract a sophisticated and discreet clientele,” she says.

The power of golf

The Algarve is home to a concentration of golf estates that rival the world’s best. There are more than 40, 9 or 18 hole courses that can be played at 35 clubs along the coast. Among the best of these are the two championship courses at Oceânico’s Amendoeira resort designed by Nick Faldo and by Christy O’Connor Jnr and the Jack Nicklaus designed Monte Rei North course.

In the Algarve, golf continues to drive property sales. The Monte Rei course is ranked number one in Portugal and among the top ten in Europe. The resort has a number of linked villas for sale starting from €1.25 million and detached villas from €1.5 million and according to the resort’s commercial director Mario Condeço, buyers began to return in 2013, with sales climbing significantly this year. “We’re seeing an increase again in British buyers and signs of recovery in the Irish market too,” he says.
At Vale do Lobo, another well-established, golf oriented resort that recently celebrated its 50th anniversary, Alda Filipe tells a similar story. “Golf is still the key driver for visitors and buyers,” she says.

At Amendoeira, alongside the resort’s two championship golf courses which rank among the best in the region, the resort offers a host of other facilities including a Golf Academy & Fitting Suite with state-of-the art club fitting technology and training programmes. There are also outdoor practice facilities include the par 3, 9 hole Oceânico Academy course, a driving range, a practice putting green, and long and short game practice areas.

Oceânico, one of the leading resorts developer in the Algarve, is releasing an impressive range of spacious, high specification and – unusually – fully furnished properties at Amendoeira that look to represent remarkably good value: prices start from €260,000 for a 2 bed apartment with shared pool, €450,000 for 3 bed villas with private pools and gardens, and detached villas from €850,000 (see Central Algarve section below for more).

According to our survey, average sales prices across the Algarve start from €2,400 /sq m for a standard unfurnished apartment and from €2,870 /sq m for a detached villa, rising to €4,440+ /sq m and for those in established, premium developments.

The Golden Triangle
The Algarve’s premier property region is known as the Golden Triangle. Encompassing the luxury resorts of Quinta do Lago, Vale do Lobo, it’s the region with the highest land values in the Algarve and the area that has seen the most rapid return of buyer interest.

Quinta do Lago is the Golden Triangle’s “Grand Dame”. Encompassing some 880 hectares, it has a build density of only 3 percent, as laid down on the master plan created at its inception 42 years ago.

Much of the resort’s land has now been sold. San Lorenzo North, the penultimate release, is currently on the market, with plots of 2000sq m starting from €2.3million. Re-sales of existing properties start from around €2.5million and new modern villas from €5million.

Jamie Robinson, director of sales at Quinta do Lago Real Estate, reports that although prices are still slightly lower than pre-crisis, demand is surging back and a shortage of supply is having an upward impact on prices. “The top of the market was 2006/7 and this year our sales volumes are back to those levels,” says Robinson. “Prices are around 10 percent less than they were at their peak but I’d expect them to come back up to those levels within a year or two.”

Alison Buechner Hojbjerg at Quinta Properties, the local Savills agent, agrees. “We are certainly not “recession proof” but, as our clients are generally very wealthy, in a more difficult market they have no need to sell, so we were not oversupplied. The top of the market was the first to recover and in fact there is now a shortage of property !”

The shortage of property is also seeing land values rise (as also confirmed in The ILM survey). “We are seeing people buying plots with 25 to 30 year old homes on them, knocking them down and rebuilding. In 2008 we had four projects on build, this year there are 25 already” says Robinson.

E3’s Mark Lenherr is developing “The Keys”, an impressive gated resort community comprising 48 villas and 24 “island” residences, overlooking the Quinta do Lago golf course and featuring a 1 kilometre swimming lake. Priced from €4,500 to €7,000 per sq m, depending on location, the properties have ultra-high-end finishes and feature roof top pools, private lifts, underground garages and generous living spaces. The smallest unit is a remarkable 308sq m (not including terraces) whilst the largest spans 1,090sq m.

Lenherr began building in 2010, in a period when the financial crisis had decimated the property market in the region; however, today The Keys represents a clear sign of returning
confidence to the market here. Lenherr, who brings the development to the market in September, has already presold over a quarter of the homes. “We extended the build period over four years to ensure the properties came to market at the right time” says Lenherr. “Today, the strong British currency and tax incentives like the Golden Visa and Non Habitual Residents status are all helping to generate confidence.”

At neighbouring rival resort Vale do Lobo, sales and marketing director Alda Filipe agrees with Lenherr. “Last year was a very good year, the best year for sales since 2006,” she says. “British buyers remain our key market, with around 60 per cent of sales.” The resort is offering a selection of 2 bed properties with pools from €800,000, and its seafront plots sell from around €1.3 million.

At Pine Cliffs, some 30km up the coast, a new development phase is underway with the launch of Ocean View, a series of apartments, many with sea views, with completion scheduled for June 2016. Apartments have contemporary styling with modern kitchens and some feature open plan master suite bathrooms. Prices start from €780,000 for a 2 bed apartment, rising to €1 million for those with a view, and all units come with a five-year, 5 percent rental guarantee.

“Our sales dropped between 2007 and 08,” says general manager of Real Estate, Karin van den Hemel. “We weren’t prepared to drop the price of our units so we added benefits, such as the rental guarantee. Things improved around the end of 2012 and by 2014 we were doing so well we had run out of inventory and started selling Ocean Suites off plan.”

Central Algarve
The Central Algarve is nominally the region between Vilamoura and Portimao. It encompasses a mix of property, ranging from entry level to high mid-market and has traditionally attracted British buyers in their 50s and up, looking for a holiday home with retirement potential.

“The traditional holiday home market of a young, well to do family in their 40s has dropped off since the recession but we’re seeing more retirees and people in the mid to late 50s,” says Zoie Hawker at Fine and Country.

And agents here are finding that, post recession, the increasing demand for properties in this area is coming from a much broader market.

“What’s really made a difference in this region is the French market, which is really growing. I would say half our leads today are French. In Almancil and Lagos there are now agents dedicated to French buyers. It’s the biggest single thing that’s changed here,” says Hawker. Supply in resort developments is an issue in the region, particularly at the mid to high end. “We haven’t had much new product available in the last few years because people haven’t been developing. Most of our transactions are re-sales and by default that tends to be off-resort. For a stand-alone villa our average sale is around €600,000,” adds Hawker.

But new buyers are also looking for new styles of properties. There is a growing demand for more contemporary properties with higher specifications, but there has been little high quality stock to meet this demand - until very recently, when Oceânico began releasing residences for sale at its Amendoeira golf resort.

“One big change in buyers is that they’re now looking for a modern product,” says Hawker. “They want contemporary homes with under floor heating and air conditioning. A big problem for the area is that there’s been no product like that, but the sale of the Oceânico Amendoeira development will give us access to properties like this.”

This summer Oceânico began releasing around a third of Amendoeira’s properties, some 80 units. Designed in a Moorish style, the spacious terracotta villas and apartments are situated among landscaped gardens on a hillside with views over the countryside and both of the resort’s championship golf courses, designed by Nick Faldo and by Christy O’Connor Jnr. Featuring fully fitted kitchens, high specification detailing including underfloor heating and many with private gardens and pools, prices start from €260,000 for a 2 bed apartment, €450,000 for a 3 bed semi-detached villa and from €850,000 for a detached villa.
Based on the recent ILM survey findings, these prices – for fully furnished, ‘ready to move in’ luxury homes – are below the regional averages and appear to offer excellent value. “Amendoeira has a lot of high quality product, at a time where there’s not much out there,” says Peter Statham, Head of Real Estate at Oceânico Group. “We offer buyers looking in this region access to a wide range of premium quality homes at extremely competitive prices.”

Western Algarve
Stretching west from Portimão to Sagres, the less developed Western Algarve has an abundance of beaches and a cluster of towns that retain their Portuguese feel. The region is a longer drive from Faro, some 90 minutes away, which is why it arguably represents the best value for money in the Algarve.

“You can still find value for money in the West Algarve. Prices are not at 2006 levels, they’re perhaps 10 to 20 per cent below that and there is plenty of growth there,” says Hawker.

Phillip Pope is managing director at the Boavista golf resort in Lagos. The resort has 330 units with scope for further development, though available built stock is limited. Two bed apartments start from €250,000, with prices rising to €750,000 for a 320sq m, 4 bed villa.

“We’re seeing things pick up again and a return of both buyers and renters to the market,” says Pope. “At Boavista, we build on demand. Before the crisis we built around 50 to 60 properties a year, during the downturn that was down to 5 or 6 a year. Over the last 18 months, by comparison, we’ve sold 34 plot and house building licenses.”

The market is also diversifying here, with British buyers facing growing competition from their French and Scandinavian counterparts.

“The British market is back because the exchange rate is so favourable and because they know the Algarve well. But there’s a broader mix now. Before the crisis 80 per cent of our buyers were British. Today around 30 per cent of our sales are to Scandinavian and French buyers,” says Pope.

Other agents confirm the trend. “The British are still the biggest market here but last year we sold to 15 different nationalities and 30 per cent of our sales this year are to French buyers, another 15 percent to Swedish and other Scandinavians,” comments David Westmoreland at B&P Real Estate in Lagos.

Lagos appeals to the French because it retains a local Portuguese atmosphere whilst Scandinavians, who tend not to use their properties in the summer, are drawn to the area’s year round attractions. “A population of 26,000 people live in Lagos year round, so the town has a winter buzz,” says Westmoreland.

Helen Mcalpin, property sales consultant for Oceânico at their Belmar resort in Lagos, agrees. “We’re seeing a lot more Scandinavian and French buyers along with British, Dutch and Belgians too,” she says. “People choose the west because they see it more as the authentic Algarve.”

Belmar, a stylish apartment hotel overlooking Porto de Mós beach, has just released the first tranche of apartments for sale. With elegant white linear architecture and dark wood detailing, the resort exudes a graceful charm. The aparthotel has 2 large pools and a spa and offers studio, 1 and 2 bedroom apartments. There are 2 separate apartment clusters, each with a communal pool and a selection of well finished 2 and 3 bedroom apartments and townhouses.

The majority of the resort’s fully furnished 189 properties have sea views and the duplex apartments also feature a large roof terrace. Surprisingly spacious studios are located on the ground floor and benefit from a terrace or private garden. McAlpin comments that these studios, which are popular with rental guests, are delivering net annual yields of around 8 per cent to owners. Prices start from €116,000 for a studio and rise to €411,000 for a 3 bedroom apartment with a roof terrace and sea view.

As with the central Algarve, the release of the Belmar development is timely since low supply of quality products
is also an issue in the west. “Most of our buyers are 45 to 60 and are buying for holidays and retirement. There’s a massive shortage of mid to top end apartment stock. People are looking for quality and developers haven’t been building,” says Westmoreland.

Further west, on the edge of the town of Sagres, sits the Martinhal Beach Resort and Hotel. In an enviable position overlooking a secluded beach and within a protected natural park, the development features a five star hotel alongside holiday apartments. Stylish and contemporary, it targets a luxury family market.

The resort opened in 2010 and has fewer than 10 properties remaining for sale. Prices start from €620,000 for a 2 bed garden unit rising to €825,000 for a 3 bed apartment with private pool. They are sold on a leaseback arrangement with the resort and come with a generous 10 year guaranteed 3-4 per cent rental return.

Pointing to the successful sales of the resort’s properties as evidence of rising demand in the area, Martinhal Beach founder Chitra Stern agrees with Westmoreland on the problem with a lack of good supply. “Quality properties are few and far between on the Western Algarve,” she says.

A focus on quality
The Algarve has been a popular resort destination for over 30 years but, as with many long established products, the gloss and quality of the area had begun to fade a little before the financial crisis hit.

The crisis forced a change in thinking. “In some ways the recession was healthy for the market. The product had been getting a little average and that stopped,” says Buechner Højbjerg at Quinta Properties. “We’ve seen a noticeable increase in the quality of new homes. Sharper architecture, technology and finishings of an exceptionally high standard are now the norm. Buyers are also more sophisticated and demanding.”

Symptomatic of that change is the Conrad Algarve hotel in Quinta do Lago, which opened in 2012. The region had fallen behind on the luxury hospitality sector when compared with destinations such as Marbella and The Conrad provided the area with a much-needed luxury shot in the arm.

Joachim Hartl is the hotel’s general manager. “The area was too dependent on the British market and when that came under price pressure during the crisis, it lost its luxury status a little,” says Hartl. “There wasn’t much supply and what supply there was, was dated.

That’s now starting to slowly turn around.” The Conrad will also market “Conrad Residences” in the future.

Since The Conrad opened, several other luxury hotels in the area have also undergone renovations – the Sheraton Pine Cliffs is re-opening in the summer after a major update – and resorts are investing too.

At Quinta do Lago there’s been €9m spent on renovating the golf course, and a new restaurant and sport centre are due to launch this summer. “The resort has a £26m capital expenditure budget for the next two years,” says Jamie Robinson.

The Conrad is also attracting new customers to the regions; Hartl estimates that 30 per cent of the hotels’ clientele is incremental business, an important consideration in an area where most buyers are holiday makers first. “For us, on average, a buyer visits 5.7 times before making a purchase,” adds Robinson.

Post crisis, developers in the region have changed their approach too. Costs are managed more tightly – for example at The Keys, homes are only completed internally post purchase, allowing clients to choose their own finishes and reduce up-front costs. “The world of speculative building has changed”, says developer Mark Lenherr. “We’ve learnt some painful lessons about sitting on product with high levels of debt.”

There’s also a greater awareness of what the market wants. “Developers today know their audience. We’re much more focused on specific markets and their needs,” says Lenherr.

Quinta Homes founder Joost Last agrees. “Before the crisis we saw a lot of
apartments without any concept. That’s changing. Now developers know what market they are aiming at and there’s a better service than before.”

At The Keys (and indeed many other new developments too) that translates to a fully serviced offer. Clients can choose from an à la carte menu that includes services such as butlers, housekeepers and cooks along with rental and administrative assistance. “The management and maintenance of an overseas holiday home can be a painful process. We take all the stress and worry away from our clients by managing every aspect of their homes. It’s far more cost effective too, when the costs are spread over 72 properties,” says Lenherr.

**Conclusion: prospects for the future**
The forecast for Portugal and the Algarve looks sunnier than it has for sometime. In its November 2014 report, highlighting the country’s continued economic growth, the OECD predicted that: “Growth will gain momentum over the next two years. Further improvements in export performance will be the main driver of the continuing recovery in 2015, and the contribution of domestic demand will become larger in 2016, as investment and private consumption pick up.” The Algarve holiday property market, with its limited supply and growing international demand, looks set to profit. “All the signs in the Algarve are very, very positive. Prices are up and product is low,” says Diogo Gasper Ferreira, CEO of Vale do Lobo and President of the Association of Portuguese Resorts.

Jamie Robinson at neighbouring Quinta do Lago agrees. “There is very limited supply available at the moment and, as demand rises faster than supply, I’d expect to see prices push up.”

In the ILM survey, 83 per cent of respondents saw enquiries rise over the last year and 70 per cent have seen an increase in sales.

Buechner Hojbjerg at Savills Associate, Quinta Properties believes that’s good news for investors. “It’s still possible to buy land and build top quality, new generation architecture. Investors can make a lot of money here.”

David Westmoreland at B&P Real Estate sums up the mood. “It’s a fantastic time to buy,” he says. “The rate of sales is good and we predict real growth in value coming in the next two or three years.”

Van den Hemel believes it’s a combination of the established Pine Cliffs brand along with the financial product – a freehold purchase that is leased back to the company with guaranteed 5 percent rental returns – that appeals to the Golden Visa market. Despite its relatively isolated position in the far west, Martinhal, has also done a good job at attracting Golden Visa clients. Chitra Stern says it’s down to a well thought through product. “We offer a 10 year investment with guaranteed rental returns of 4 percent. That appeals to Golden Visa clients and we’ve had Chinese and South African buyers.”

Stern adds that Martinhal is also developing a 6-month residential option for NHR buyers.
This Residential Property Survey compares the first semester of 2014 to the same period in 2015.

Confidence

The overwhelming conclusion regarding market confidence among leading developers and real estate agents across the Algarve is that it has been increasing steadily through 2014 and has continued to do so into 2015, indeed gaining momentum.

In our latest survey, 90 per cent of respondents reported that market confidence is higher than during the same period in 2014, when 73 per cent of respondents reported higher confidence than in the previous survey. From the survey findings, it is evident that the overall mood in the market is buoyant, underpinned by the fact that the number of buyer enquiries, viewings and conversions into sales are all markedly higher year on year.

There is certainly greater confidence in the Portuguese economy and in Europe in general, with fewer alarming reports in the press about Greece, Cyprus and Spain. The confidence in the Portuguese economy continued to grow during the period and alarmist headlines regarding bailouts became fewer and fewer.

Additionally positive news regarding exchange rates and the Portuguese economy have helped to drive confidence upwards.

The Euro/Sterling exchange rate in 2014 started the year at €1.21 to £1, but sterling subsequently started to strengthen – and kept climbing. Indeed the rate at the end of May 2015 had risen to €1.39, after peaking at the beginning of March at €1.41. This is an important factor in the market upturn, since UK purchasers remain the largest single force in the Algarve property market and this positive currency movement has effectively presented them with a 15 per cent price reduction.

Furthermore, the recent election result has stabilised UK client decisions to purchase.

Enquiries

95 per cent of the respondents reported that the level of enquires was at least the same as last year, with 83 per cent reporting an increase. This is the fourth consecutive survey to report an increase in the level of enquires – further evidence of the market recovery.

The interest between property types was again a familiar breakdown with apartments, town houses and villas remaining the most popular. Interest at the top end of the market is still strong, with almost 1-in-10 enquiries being for large villas/mansions.
Enquiries across the various price brackets revealed some interesting results this time, with the mid-top ends of the market showing most growth. Interest in properties under €100,000 fell to only 4 per cent of the total, whilst enquiries between €100,000 - €250,000 were down to 21 per cent. Notably, demand increased for the more expensive properties, with around 1-in-5 enquiries being for properties over €2m.

Reasons for wanting to purchase a property in the Algarve show a familiar pattern, with those speculative buyers looking for bargains or buy to let investors down to just 19 per cent of the total. Conversely, the most commonly quoted reason to purchase is for a holiday home and retirement.

An interesting feature to highlight is the strong interest in the Non Habitual Residents tax regime, which accounted for around 1-in-5 of all enquiries.

Although interest in the Golden Visa Scheme remains, it is not now delivering many sales in the Algarve, probably due to the lack of a suitable product that appeals to those non EU overseas buyers interested in taking advantage of this investor immigration programme. Anecdotal evidence suggests that these investors prefer to invest in Lisbon.

The deep recession obviously led to a complete halt in new construction and respondents have been citing a shortage of quality stock, highlighting that in many cases the existing properties available for sale are not meeting buyers’ requirements. Agents report that their potential clients seem to be better informed, although several add that they are having to work hard to match prospective buyers with the right property.

The chart below shows the reasons that buyers give as their motivations for buying a property in the Algarve. As this demonstrates, most buyers are (unsurprisingly) attracted by the lifestyle, but overwhelmingly they are seeking value for money; several respondents commented that buyers, being more sophisticated and cautious today, are more interested in the design, build quality and the finishes rather than in perceived ‘bargain buys’.

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Figures shown in brackets are results from the previous surveys in chronological order.
**Completions**
All of the respondents report that completions are at least the same or higher, with 70 per cent also reporting an increase in sales:
- Detached villas are the most popular segment, at 39 per cent of sales
- Sales of apartments fell from 27 per cent to 23 per cent year-on-year
- The sale of plots fell significantly from 18 per cent to 8 per cent.

Further encouraging signs are that the sales of mansions increased to 14 per cent, whilst 17 per cent of total sales were over €2m.

**Viewings**
Seventy two per cent of respondents report an increase in the number of viewings, which is a key indicator as to the health of the market. Of these, nearly two-thirds report that viewings are up by between 20 per cent and 50 per cent, which is very encouraging.

As mentioned above, one of the most significant factors for the increase in viewings is the favourable euro/sterling exchange rate, as UK purchasers are still the biggest purchasers of property in the Algarve.

Another strong indicator of the strength of the market is conversion rates for sales, which are rising strongly.
- 39 per cent of respondents agents report a 20 per cent conversion rate
- 28 per cent report a conversion rate of 30 per cent
- 17 per cent report an impressive conversion rate of 60 per cent.

Some agents say that they are no longer listing properties that they consider are overpriced or of poor quality, which is clearly helping with these conversion levels.
Sales of properties below €100,000 fell from 15 per cent in the previous survey to only 1 per cent, again demonstrating that the revival is at the mid-top end of the market.

British purchasers remain the largest group, representing 37 per cent of all buyers. Scandinavians, at 14 per cent (particularly the Swedes) are now established as an important market for agents and developers, who have been quick to respond to the benefits of the Non Habitual Tax Regime. Once again Irish purchasers – traditionally a very strong market - do not feature, but Germans show a slight rise from 2 per cent to 5 per cent of the total.

The French market is also growing very quickly, largely due to their punitive domestic taxation, although some respondents commented that some buyers are finding the prices high. In the last survey, Eastern Europeans featured for the first time representing 6 per cent of purchasers, but are down to only 1 per cent of the total this time. This may be due to the knock-on effects of the Russian economic crisis.

**Mortgages**

The availability of an attractive mortgage product does not seem to be important to overseas purchasers, with almost half of respondents reporting that such a product is of no interest to their clients.

It is also interesting to learn that just over half of all respondents indicated that an attractive mortgage product would not help them to achieve more sales, whilst three-quarters of agents stated that it would not help them to achieve higher value sales.

The evidence suggests that purchasers are now increasingly likely to have sorted out their finances before setting out to purchase; this reveals a high level of confidence in the Algarve property market.

A notable number of buyers do not appear to be using borrowed funds at all. If and when prices do rise significantly, perhaps mortgages will have a greater role to play in the future.

**Prices**

Actual sales prices were once again relatively steady across the range of property types and locations, but there do appear to have been some slight increases for properties close to the coast.

As this chart confirms, prices are rising across all product types, with the largest and most expensive properties increasing the most. The rise in land values is also shown, with plots up by 12 per cent.

Given the sales price reductions witnessed during the recession, these figures may be seen as yet another indication that stability is returning to the market, in line with demand.

**New Instructions**

Many respondents report a shortage of good quality stock, with little new
Forty per cent were below €500,000, but there was also strong interest at the higher end of the market, with 1-in-4 sales being completed in the €1m - €2m bracket.

General Conclusion
Further to positive signs of emerging market demand during late 2013, followed by growing confidence resulting in a corresponding increase in market activity through 2014, the survey findings conclude that the 2015 market has achieved a certain dynamic, attracting an increasing number of international purchasers across various price points.

The overwhelming conclusion to be drawn from the feedback gathered from leading agents across the regions is that:

a) The Algarve market has reached its strongest demand level for almost a decade.

b) This momentum and resurgence in confidence, underpinned by economic stability and growth in relevant established and new markets, are expected to continue to drive the real estate market over the next 12-18 months.

c) When compared to other European destinations, the relative value and range of the real estate on offer today combined with the excellent lifestyle, easy accessibility and year-round climate, will continue to attract buyers to invest in the region.

However, as the availability of suitable properties in Lisbon is reducing, perhaps there will be more interest in the Algarve in the future.

Non Habitual Residents Tax Regime
70 per cent of respondents had received enquiries, which is similar to the Golden Visa. However, almost double the number of respondents have had NHR completions.

A higher volume of sales is also reported to this market, with villas being the preferred property type. This reflects the fact that most of those looking to take advantage of this scheme intend to be resident here.