

# Penguin Capital

## Portugal Residential Real Estate Outlook Q1 2018

*Portugal is currently experiencing a flourishing housing market with expectations of growth in the future. Penguin's 5-year outlook research revealed Portugal's prosperous housing market which boasts rising demand and prices, with residential areas topping charts. Property prices in Portugal rose by 4.84% in a year by November 2017. The cost of a home in Portugal will increase by 5% each year in 2018 and 2019. One risk associated with Portugal's real estate market includes a potential housing bubble from the rate of newly developed houses versus demand. Future projections suggest continued growth in larger cities such as Lisbon and Porto.*

### PORTUGAL'S REAL ESTATE MARKET

Portugal's [property market](#) is currently doing well and expected to experience growth over time. Both prices and number of [transactions](#) are rising at a healthy rate. Standard & Poor reports the number of residential real estate sales increased by [19.4%](#) in the first quarter of 2017, an [18.5 %](#) increase from 2016.

A surging demand and improved economic conditions allow Portugal's housing prices to continue rising. Property prices rose by [4.84%](#) in a year by November 2017. Flat prices rose by [5%](#) while Villa prices rose by [4.9%](#). Demand is also increasing based on a [23%](#) increase in the total number of housing transactions from a year early. According to [portugalresident.com](#), the prices for property in Portugal are expected to grow by [6%](#) annually in the next five years.

In terms of housing permits, new building permits have risen by "[30%](#) since the second quarter of [2017](#)." While this is significant, these rehabilitation permits and construction permits only account for "[25%](#) of the maximum value reached in [2006/2007](#)."

The Portuguese economy expanded by [2.5%](#) from the prior year. This year the economy is expected to improve by [2.6%](#), the highest growth since 2000. Portugal also grants a five-year residency permit to non-EU citizens who purchase at least [500,000](#) euros worth of property. After [five years](#), these people can apply for permanent residency but are relatively unrestricted during the initial five-year period.

### FUTURE MARKETS

[Fitch](#) claims that the cost of homes in Portugal will increase around [5% per year in 2018 and 2019](#). Larger cities such as [Lisbon](#) and [Porto](#) are expected to contain above average prices for housing. This is due to stronger labor markets and a heavy influence by corporate real estate investors seeking profit opportunities.

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Improved living conditions paired with an increased domestic have led to an 83% increase in the number of units sold in Lisbon. Investors are also attracted to Lisbon's historic center for short-term rental opportunities. 2018 is expected to have another active year for the residential sector due to a strong market demand and a solid flow of residential projects like large-scale developments.

## RISKS

Portugal's flourishing housing market creates several potential risks. One risk related to a possible housing bubble due to the rate at which new houses are developed. Though the risk is low, the Bank of Portugal suggests that Portugal's financial stability could be compromised by the potential for housing prices to increase past the 2017 inflation.

The Bank of Portugal acknowledges a 7.9% increase as significant but also claims this is a decrease from a crisis period between 2008 and 2013 which suggests stability. The increase in demand is justified by a low exposure to risk due to a lack of bank credit financing, making this one risk relatively unlikely.

## CONCLUSION

Portugal's housing market is currently thriving and is expected to grow in the near future. Demand for homes is rising as the cost for newly constructed home also rises. Increased interest from wealthy investors has also improved Portugal's infrastructure and demand for residential areas like Lisbon has never been higher. Few risks could be associated with this market, but individualized scenarios could constitute further research.

## ABOUT PENGUIN CAPITAL

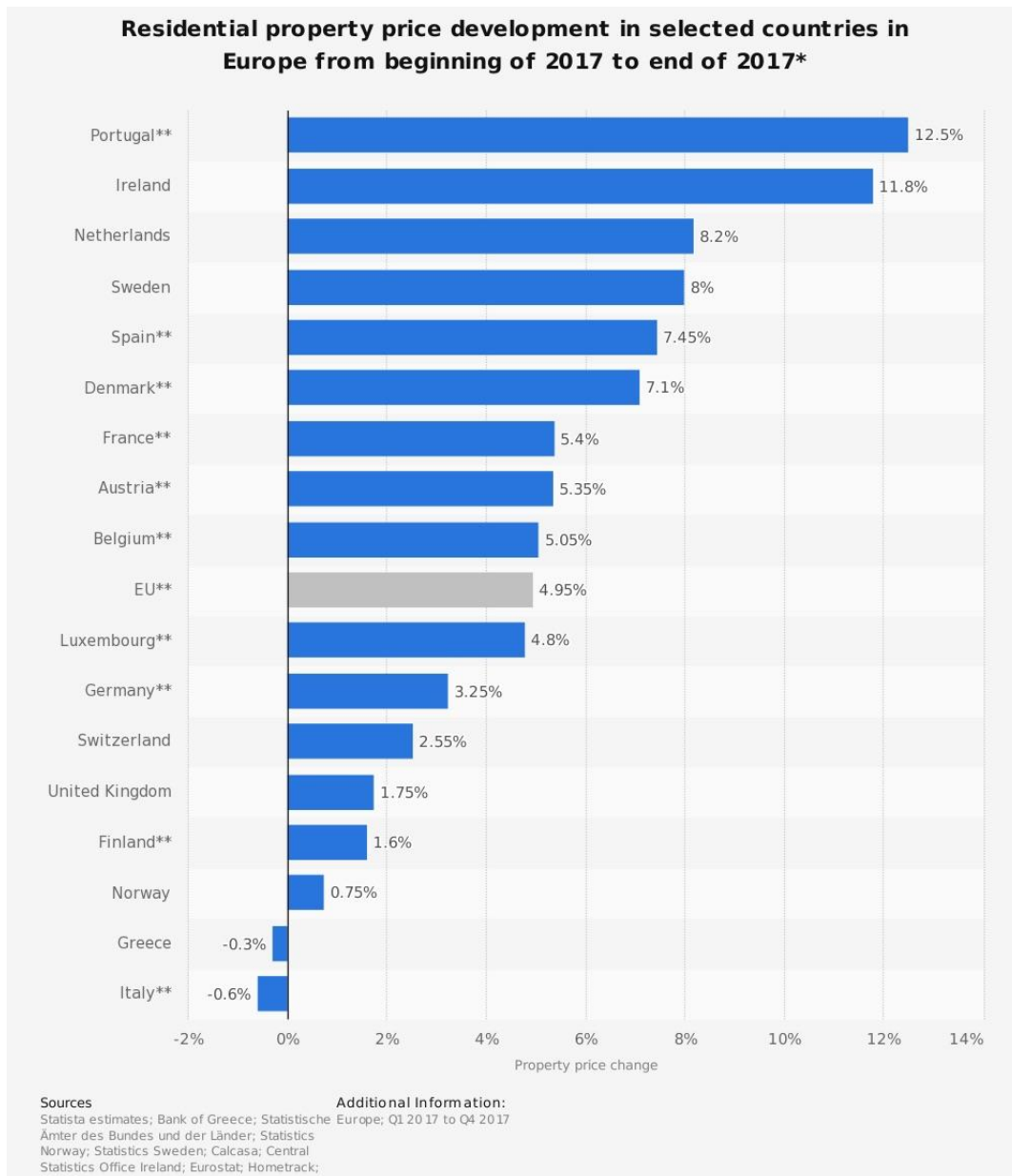
Penguin Capital RE is a firm founded by brothers Akbar Bawa and Ahmed Bawa. Penguin's strategy is simple: acquire, revitalize, exit. Our geographically adaptable platform deploys a clear-cut direct investment strategy. We aim to acquire high quality, well located properties at discounted cost, install asset management activities to solve any asset issues, and sell when Penguin Capital's objectives are accomplished. Penguin's latest initiative, The Legacy Projects, seeks to bring Penguin Capital's strategy to Portugal. The aim is to deliver compelling risk-adjusted returns in the residential arena. We are targeting high quality properties in gateway cities with a more modest risk profile, medium hold periods, and strong income components. Penguin Capital RE is the group's Europe focused investment initiative with a special interest in Portugal with prospects including Spain and Italy.

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## European Residential Market Growth



*This statistic shows the residential property price development in selected countries in Europe from first quarter of 2017 to the fourth quarter of 2017. The source mentions they used information from EU member states, together with Norway and Sweden. Housing prices in 2017 increased the most in Portugal and Ireland, countries which were hit hard by the financial crisis. Now that their economies are growing again and citizens have more money to spend property prices increase in these countries. The Netherlands completed the top three, due to the fact that for a long time it was relatively cheap to borrow money to buy a house. Indeed, the majority of property markets in Europe have gained momentum with only a few still on the mend or lagging behind. Source: [STATISTA](#)*

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