



**Portugal:  
The Luxury Tourist Resort  
Property Market 2011**



**José Velez** - Executive Director of Prime Yield Portugal



**Alberto Pinheiro** - Managing Director for Fine & Country

### About PRIME YIELD

PRIME YIELD Chartered Surveyors, which provides consultancy and valuation services, is a company registered by the Portuguese Securities Market Commission (CMVM - Comissão do Mercado de Valores Mobiliários), regulated by RICS which recently obtained Environment certificate NP EN ISO 14001:2004 and Quality Management certificate NP EN ISO 9001:2008.

Its clients include a number of financial institutions and property investment trusts whose operations centre around granting mortgage finance and acquiring properties for rental and/or property development. They rely on PRIME YIELD to undertake feasibility studies and provide consultancy services which support their decision-making processes on the projects under consideration.

PRIME YIELD has five offices: Lisbon, Porto, Luanda (Angola), São Paulo (Brazil) and Cidade da Praia (Cape Verde).

PRIMEYIELD is organised into two business areas which operate in a coordinated way:

#### Consultancy - Market studies and Building surveys

Having a partnership with the property internet portal Casa Sapo, PRIME YIELD updates a residential information database which cross-references the asking prices with valuations produced within the scope of works undertaken by PRIME YIELD for the main credit institutions who grant mortgages. The treatment of this information allows PRIME YIELD to conduct quantitative and qualitative market studies which are invaluable support tools in the decision-making process for real estate developers when analysing alternatives relating to the allocation of property investment trusts and making measured acquisitions, primarily land.

Property condition surveys are a new area of speciality. PRIME YIELD takes pride in offering its clients a thorough inspection and detailed reports.

Snag List - Survey of defects in a newly built home or any new construction or renovation.

Full Structural Survey - Has the potential to pick up defects that other reports may not have found. The report also includes an open market valuation of the property.

Quantity Surveyor - Managing all costs relating to building and civil engineering projects, from the initial calculations to the final figures. It seeks to minimize costs, while still achieving the required standards and quality.

#### Property valuations

Real Estate Investment Trusts - In 2005 PRIME YIELD obtained official certification from the CMVM to carry out valuations for Investment Trusts. Since then PRIME YIELD has carried out valuation projects for many of the leading investment trust managers.

Mortgages - Because PRIME YIELD has daily contact with the market and manages a flow of important information for the database with the real estate portal Casa Sapo, it has a department dedicated to valuations for mortgage purposes which produces valuation reports for properties (residential, commercial, services and land) for the majority of banks providing mortgage facilities.

Property Development - The valuation studies of property projects are closely connected to the activity of property investment. In this context PRIME YIELD produces valuation reports based on discounted cash flows augmented by a strong component of market comparables which allow investors to check the anticipated level of return on investment.

**Value your future.**

[www.prime-yield.com](http://www.prime-yield.com)

### About Fine & Country

FINE & COUNTRY is a global network of independent real estate offices specialising in the marketing and sale of luxury residential property. With offices in over 300 locations in the UK, South Africa, Dubai, West Africa, Qatar, Mauritius, Cyprus, Malta, Abu Dhabi, Spain and the USA, Fine & Country has been present in Portugal since 2010.

Fine & Country recently received four of the industry's top UK and international accolades for its cutting-edge lifestyle marketing and professional standards of service. The company was commended for the innovative use of tailored marketing tools and also its approach to lifestyle marketing - described by the judges as 'a shining example to the rest.'

Combining innovative technology tools with the global presence of the network, Fine & Country offers an unrivalled exposure to the properties marketed, including its prestigious company head office in Park Lane with access to the lucrative London & international investor markets.

This has been instrumental in Fine & Country gaining two accolades at the International Property Awards, in association with Bloomberg Television, for 'Best UK Estate Agency Marketing' Five Star award, and the much-coveted 'Best International Estate Agency Marketing' award, fighting off competition from some of the leading estate agencies in the world.

In addition it won 'gold' in both the 'Best Marketing' and 'Best Prestige Estate Agency' categories at the UK's premier property awards 'Estate Agency of the Year Awards 2010', sponsored by The Times and Sunday Times. The judging of the awards was chaired by The Property Ombudsman with the backing of the NAEA and NFOPP, and involved a selection of highly experienced property professionals and experts including leading estate agents.

Fine & Country's strength has been recognised by leading developers that have entrusted it with the marketing of some of Portugal's most exclusive resorts, including Martinhal Beach Resort & Hotel, Alma Verde Village & Spa, Cascade Resort, Marina de Lagos, Pestana Gramacho and Vale da Pinta, Longevity Wellness Resort, Monchique, Castro Marim Golfe, Royal Óbidos, Bom Sucesso Architecture Resort Leisure & Golf and Quintas de Óbidos Country Club.

Fine & Country has joined Prime Yield to present 'Portugal: The Luxury Tourist Resort Property Market' an updated study of reference on a crucial market segment for the Portuguese economy.

**Exclusive luxury property for sale worldwide**

[www.westernalgarve.fineandcountry.com.pt](http://www.westernalgarve.fineandcountry.com.pt)



Douro valley, north region

## Introduction

Following the four previous issues, PRIME YIELD Chartered Surveyors and FINE & COUNTRY, present the first issue of 'Portugal: The Luxury Tourist Resort Property Market'.

This year the sample of tourist developments has been standardised, providing a market performance overview in the residential tourist resorts in Portugal in 2010. We have also introduced two new areas - the North region and Alentejo.

Contrary to expectations, 2010 continued to see the real estate market contract in general. There was a decrease in the number of transactions, as well as a shrinking in average market values. The tourist real estate market, given the worsening economic and financial climate, suffered a cooling off in new tourist resort projects. The market is sluggish, far from achieving the growth rates of 2004-2008.

This report provides solid data on key issues such as identifying the prime locations in Portugal for luxury residential tourist real estate properties and the price levels and trends for this type of property.

FINE & COUNTRY is a global real estate network specialising in the marketing and sale of luxury residential property. With over 300 offices in the UK, South Africa, Dubai, West Africa, Qatar, Mauritius, Cyprus, Malta, Abu Dhabi, Spain and the USA, Fine & Country has been present in Portugal since 2010 marketing some of the most exclusive resorts in the country.

PRIME YIELD Chartered Surveyors is a valuation and property consulting company in Portugal, partner of the most important property web portal in Portugal (casa.sapo.pt) and specialises in valuations of assets acquired by the Real Estate Investment Trusts and Developers with offices in Portugal, Angola, Brazil and Cape Verde.

## Investment Alternatives

An increasing trend in the Portuguese resort market segment is the provision of guaranteed rental return programmes that can vary in some conditions, such as the period of time - usually between five and 10 years - and the interest rate provided, most commonly between four per cent and six per cent. In the current market status this can be an important condition in the buyer's decision making.

For more information please contact FINE & COUNTRY and PRIME YIELD:

Fine & Country, Alberto Pinheiro, [alberto.pinheiro@fineandcountry.com](mailto:alberto.pinheiro@fineandcountry.com)  
PRIME YIELD, José Velez, [jvelez@prime-yield.com](mailto:jvelez@prime-yield.com)

## Methodology

The information in this report is based on records researched from the luxury residential tourist real estate market in Portugal through:

- Field research in the luxury tourist real estate market
- Sales information provided by FINE & COUNTRY Western Algarve
- Valuation information provided by PRIME YIELD and by "casa.sapo.pt"

Resort developments as discussed in this report reflect three primary characteristics:

- a) They are property developments that have been planned and developed and are currently operated by private business enterprises;
- b) They offer proximity and easy access to significant natural, scenic, recreational, and/or cultural amenities that make them attractive places to visit;
- c) They include accommodation, owners, users of second homes and seasonal residents.

Resort developments can be categorized according to three main factors:

- a) By their proximity to primary markets;
- b) By their location and primary amenities;
- c) By their mix of residential and accommodation products.

Working from the above definitions, provided by the Urban Land Institute, we focus in this particular report on one type of tourism developments:

**Tourism Resorts** - these are developments whose main anchor activity is golf and/or beach leisure. These are real estate projects developed in an integrated way, which contain a property element differentiated by the products offered, namely apartments, townhouses, villas and plots.

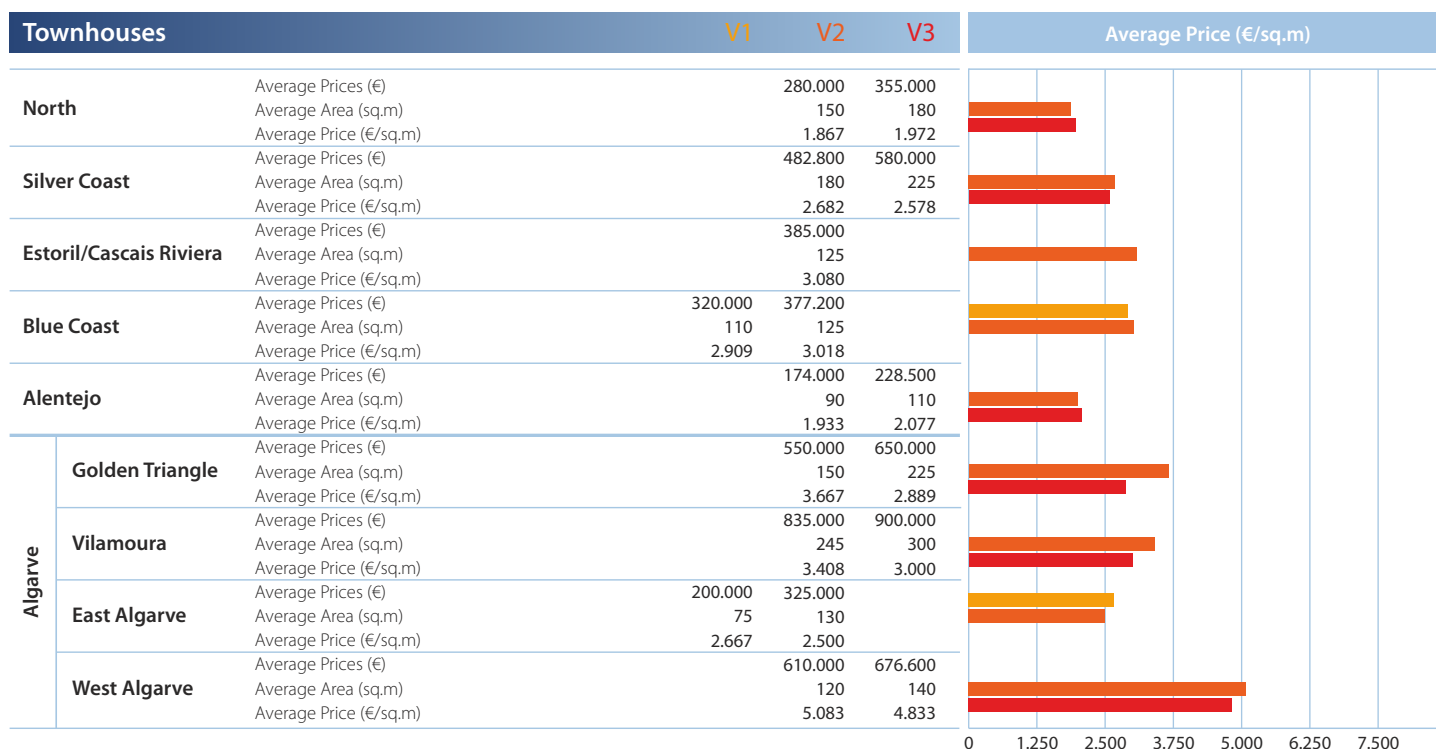
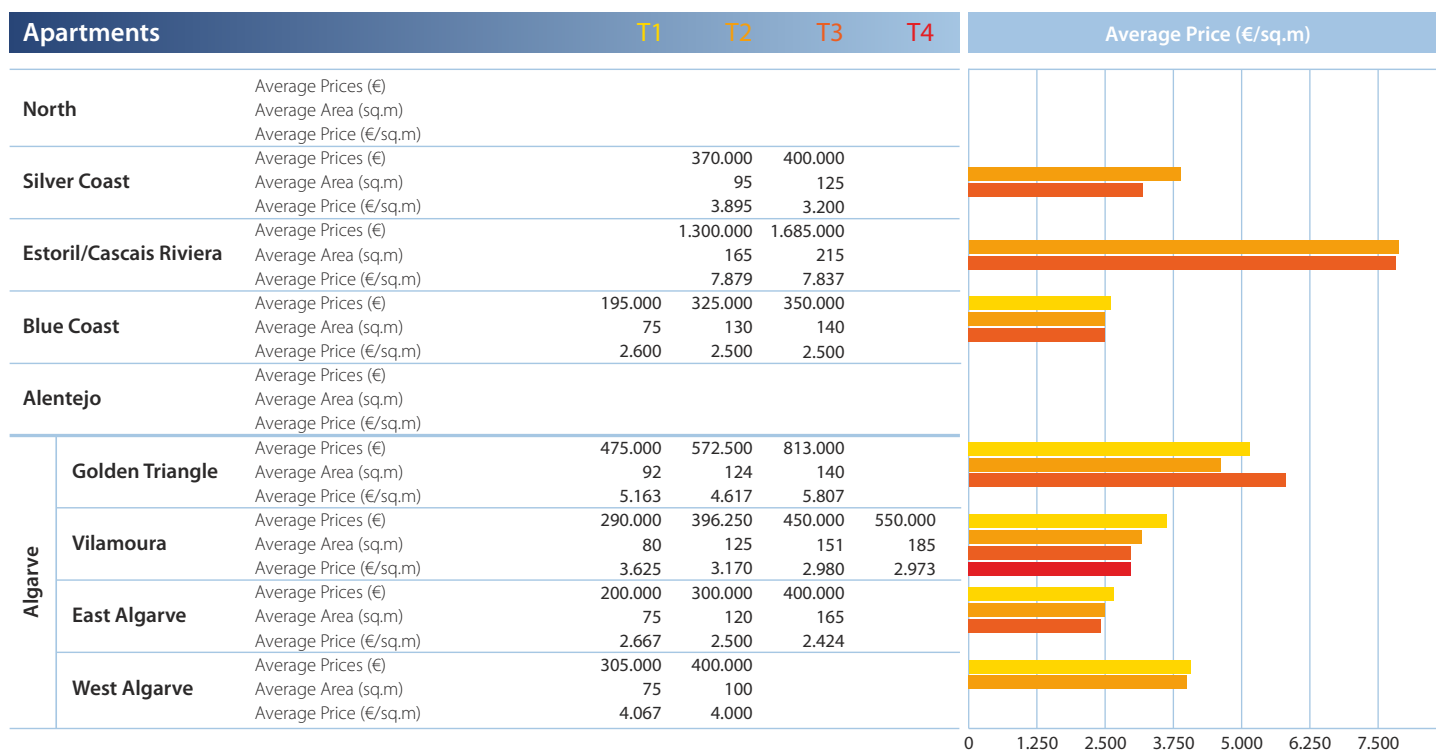
It is important to clarify that, in terms of methodology, the average values presented are based on collected samples of real estate products (apartments, townhouse, villas, plots) located in developments which fall into the segments already identified (Tourism Resorts) and which are (a) being marketed by FINE & COUNTRY and (b) have been subject to market analysis by PRIME YIELD; additional information was obtained via field research. In this way, the values presented correspond to a mix between asking prices and valuation prices obtained from developments located in the following areas:



**Tourism Resorts** are developments whose main anchor activity is golf and/or beach leisure. These are real estate projects developed in an integrated way and which contain a property element differentiated by the products offered, namely apartments, townhouses, villas and plots.



Estoril/Cascais Riviera





Cascade Wellness & Lifestyle Resort

Villas		V2	V3	V4	V5	Average Price (€/sq.m)	
North	Average Prices (€)	640.000	890.000				
	Average Area (sq.m)	171	236				
	Average Price (€/sq.m)	3.743	3.771				
Silver Coast	Average Prices (€)	650.000	933.000				
	Average Area (sq.m)	223	352				
	Average Price (€/sq.m)	2.915	2.651				
Estoril/Cascais Riviera	Average Prices (€)	1.100.000	1.650.000	1.750.000			
	Average Area (sq.m)	250	380	430			
	Average Price (€/sq.m)	4.400	4.342	4.070			
Blue Coast	Average Prices (€)	410.000	475.000				
	Average Area (sq.m)	155	185				
	Average Price (€/sq.m)	2.645	2.568				
Alentejo	Average Prices (€)	332.500	405.000	425.000			
	Average Area (sq.m)	185	215	265			
	Average Price (€/sq.m)	1.797	1.884	1.604			
Algarve	Golden Triangle	Average Prices (€)		3.000.000	3.800.000		
		Average Area (sq.m)		400	450		
		Average Price (€/sq.m)		7.500	8.444		
	Vilamoura	Average Prices (€)	800.000	975.000			
		Average Area (sq.m)	230	375			
		Average Price (€/sq.m)	3.478	2.600			
	East Algarve	Average Prices (€)	475.000	580.000			
		Average Area (sq.m)	160	200			
		Average Price (€/sq.m)	2.969	2.900			
	West Algarve	Average Prices (€)	395.000	600.000	1.000.000		
		Average Area (sq.m)	145	250	300		
		Average Price (€/sq.m)	2.724	2.400	3.333		

0 1.250 2.500 3.750 5.000 6.250 7.500

Plots		Plots	Average Price (€/sq.m)	
North	Average Prices (€)			
	Average Area (sq.m)			
	Average Price (€/sq.m)			
Silver Coast	Average Prices (€)	381.800		
	Average Area (sq.m)	1.370		
	Average Price (€/sq.m)	279		
Estoril/Cascais Riviera	Average Prices (€)	850.000		
	Average Area (sq.m)	2.100		
	Average Price (€/sq.m)	405		
Blue Coast	Average Prices (€)	492.100		
	Average Area (sq.m)	1.570		
	Average Price (€/sq.m)	313		
Alentejo	Average Prices (€)	243.000		
	Average Area (sq.m)	7.300		
	Average Price (€/sq.m)	33		
Algarve	Golden Triangle	Average Prices (€)	1.000.000	
		Average Area (sq.m)	700	
		Average Price (€/sq.m)	1.429	
	Vilamoura	Average Prices (€)	1.100.000	
		Average Area (sq.m)	5.000	
		Average Price (€/sq.m)	220	
	East Algarve	Average Prices (€)	400.000	
		Average Area (sq.m)	700	
		Average Price (€/sq.m)	571	
	West Algarve	Average Prices (€)	425.000	
		Average Area (sq.m)	550	
		Average Price (€/sq.m)	773	

0 500 1.000 1.500 2.000 2.500 3.000



Martinhal Beach Resort

## Summary and Conclusions

The first issue of the report 'The Luxury Tourist Resort Property Market' covering market performance in 2010, includes several additional new developments throughout Portugal. The report provides a complete overview of all properties that were available in the marketplace during this period of time.

Based on the analysis carried out, the following conclusions can be drawn:

### Tourist resorts

**Apartments** - In terms of average unit value per sq.m, we can confirm the value of €5.195 per sq.m has maintained.

**Townhouses** - This is the product which is most uniform in terms of average value in the areas investigated, with an average reference value of €2.958 per sq.m.

**Villas** - With regard to villas, we can confirm that there is a certain uniformity of values in the Western and Eastern areas and Vilamoura, and that in the Golden Triangle 4- and 5-bedroom villas have broken through the €3.000.000 barrier.

**Plots of land** - The values presented refer to plots of land with an average construction index of 0.5. According to the data collected it is in the Estoril/Cascais Riviera that the average value per sq.m reached the maximum exponential value of around €810.

According to José Velez, director of PRIME YIELD in Portugal, "the international financial crisis affecting all Europe, the banking restrictions, austerity measures imposed by the Troika Memorandum of Understanding (MoU) had and are having a direct impact on the real estate sector, also affecting the luxury residential tourist market. Several tourist projects in the pipeline have not gone ahead, the number of transactions has declined significantly, as well as a shrinking in the average values of sales of between 10 to 15 per cent".

"The Algarve and West will remain the most established destinations in terms of the residential tourist market. The Alentejo too has become one of the areas that has attracted the attention of resort investors, particularly on the Alentejo coast: investment projects such as the Tróia Resort and Herdade da Comporta, and the county of Montemor-o-Novo - L'AND Vineyards, and yet still has room for further development in the national and international markets."

"Given current economic and political realities, the main factors to be considered that will mark the residential tourist market are: more cautious buyers, review of feasibility studies of an economic and financial order so as to assume new margins of profitability, investment in new niche markets; developers to present new alternative investment markets (Fractionals - a more flexible and appealing model for the consumer to match new market realities)."

Alberto Pinheiro, managing director for Fine & Country comments that "2010 and the first months of 2011 have confirmed the trend that started to show in 2009 of a slowing down of the projects under construction and a more cautious approach to the new developments in the final planning stages, slowing down some of these stages and even postponing the construction phase in order to incorporate some adaptations that fit better into the actual and medium term financial environment".

"With interest rates and LTV's evolving in opposite ways buyers are increasingly cautious and selective in terms of what kind of property can really meet both their lifestyle expectations and the financial capacity to make such an investment. We at Fine & Country believe that this equation will be favorable for the resort properties since they offer a complete set of facilities and amenities that provide a higher lifestyle quality and a more stable price level and future appreciation. Also structured property management and rental programs provided by most resort developers offer interesting income opportunities for the owners when not using their property. In some cases a fixed guaranteed return is offered during a certain number of years," he says.

Summing up, José Velez states that "Portugal clearly has a more resistant property market than others because it is less exposed to the property cycle due to the country's natural advantages and characteristics and also because of the excellent design and build quality which allows us to compete with any direct competition from anywhere in the world."

"The feedback we have been receiving from our clients is that they look at Portugal as a consolidated market that, despite having suffered some decrease in property sales and average prices, still holds a strong position in the Luxury Residential Tourist market compared other markets that appeared as "goldmine" opportunities just a few years ago and which have suffered severe depreciation in property values. Portugal is definitely a market with secure investment opportunities with some bonus returns for those with good decision timing."



**PRIME YIELD**  
Chartered Surveyors

Head Office  
Av. António Serpa, 3D  
1050-026 Lisboa - Portugal  
Tel.: +351 217 902 540  
Fax: +351 217 970 532

geral@prime-yield.com  
www.prime-yield.com



**FINE & COUNTRY**  
Western Algarve

E.N. 125  
Bc. 5 de Outubro, 15  
8400-356 Lagoa | Algarve | Portugal  
Tel: +351 282 040 990

western-algarve@fineandcountry.com  
www.westernalgarve.fineandcountry.com.pt

Operated under license by Villas & Prestige, Lda AMI 3755