



# *Renting in Portugal – Help Secure Your Residency Visa While Trying Before You Buy*



LIO PORTUGAL CONFERENCE

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# *Reasons to rent before buying*



- **CHOICE OF COUNTRY:** In a limited number of cases (12% of those moving to Portugal move away again, for different reasons, with 35% of those doing so within the first year) a rental will avoid an expensive purchase mistake. Give yourself time to get to know the country if you do not know it
- **CERTAINTY/FLEXIBILITY:** ability to use a period of time to determine whether the region and type of accommodation is right for you. Low cost option to move if you do not like the area
- **SPEED:** a rental transaction is quicker (days to weeks) than a purchase (months)
- **CONTROL OF TIMING:** the timing of any rental transaction is controlled by Landlord and Tenant (and any intermediary) and does not involve any government entity, which always implies delay
- **RISK/ DECISION FROM AFAR :** If for health, Covid, cost or logistics reasons, a visit is not possible, then a rental represents much lower risk, and is by definition a non-permanent step. Virtual visits are also an option. Purchasing a house unseen (even with virtual tours and video visits) or too quickly is a risk too far for many
- **RESIDENCY:** without accommodation no residency visa application is possible. A rental is quicker to obtain
- **COST:** rental represents a much lower initial capital outlay
- **RIGHT PROPERTY NOT AVAILABLE TO BUY:** simply have not liked anything yet





# *Why it is so difficult to find a rental: changes to the rental landscape*



- **END OF THE NHR PROGRAM:** The low tax regime that drove demand from nationalities such as French, Swedish, British etc, ended. This did not translate into the expected fall in foreign demand
- **GROWTH IN D VISAS:** the addition of the D8 (digital nomad) and D2 (entrepreneur) visas, to the already popular D7, offset other causes of a fall in demand
- **+HABITAÇÃO PROGRAM:** a significant change to rental rules by the government has tightened, and not alleviated, supply
- **CAPS ON RENTAL INCREASES HAVE THE OPPOSITE OF THE DESIRED EFFECT:** the decision by the government to cap rent increases at 2% when inflation was running at 10% meant more owners left the market, as many commercial business benefited while landlords bore the sacrifice
- **INCREASE IN TAX ON AL AND LIMITS ON AL LICENSES:** short-term rental activities were significantly impacted by the government's attempts to limit Airbnb-style properties and encouraged by a strong hotel lobby that see AL as a direct competitor. In theory this should have meant a move from AL to *arrendamento* (short to long term) but many property owners are sceptical of the government's continued attack on property owners and so prefer to have properties stand empty. This adds to speculation, price increased and lack of supply
- **CONTINUED HIGH TAXES ON NEW BUILD:** 40-50% of all new build prices are taxes (including VAT at 23%), costs passed on to buyers. Affordable modern building is unachievable in Portugal



# Growth in rental demand and prices

Cidade	Rendimento	Taxa esforço 4T 22	Taxa esforço 4T 23	Diferença em pontos percentuais
Aveiro	18 799 €	62%	71%	10
Beja	17 286 €	21%	24%	2
Braga	17 434 €	53%	62%	10
Bragança	16 978 €	19%	31%	11
Castelo Branco	16 853 €	16%	22%	6
Coimbra	20 573 €	37%	48%	12
Évora	18 465 €	42%	51%	8
Faro	16 967 €	69%	107%	38
Funchal	17 878 €	79%	113%	34
Guarda	17 510 €	11%	17%	5
Leiria	17 288 €	38%	58%	20
Lisboa	22 533 €	79%	101%	22
Ponta Delgada	18 906 €	50%	61%	11
Portalegre	16 989 €	13%	18%	4
Porto	20 221 €	69%	81%	13
Santarém	16 764 €	23%	33%	10
Setúbal	17 982 €	39%	46%	7
Viana do Castelo	16 002 €	45%	64%	19
Vila Real	17 317 €	37%	36%	-1
Viseu	17 730 €	36%	49%	13

Source: Idealista, INE

- Year on year salary multiples have increased on all regions of the country
- In 3 regions, it now costs more to service a loan/mortgage than the average salary:
  - Madeira (113% of local salary)
  - Algarve (107% of local salary)
  - Lisbon (101%)
- For the first time, it is true to say that local people can no longer afford to live where they work, if they earn the average wage or less
- The structural issue is not the increase in real estate prices but the low-wage economy
- **CONCLUSION:** finding a long-term rental requires patience, planning and usually the help of a local expert

# Prices in the 50 most searched towns



Ranking	Município	Distrito	Renda (euros/mês)
1º	Lisboa	Lisboa	1 863
2º	Oeiras	Lisboa	1 789
3º	Funchal	Madeira (Ilha)	1 703
4º	Sintra	Lisboa	1 669
5º	Gondomar	Porto	1 607
6º	Palmela	Setúbal	1 545
7º	Almada	Setúbal	1 533
8º	Lagos	Faro	1 495
9º	Faro	Faro	1 478
10º	Sesimbra	Setúbal	1 463
11º	Albufeira	Faro	1 417
12º	Lagoa (Algarve)	Faro	1 343
13º	Montijo	Setúbal	1 333
14º	Porto	Porto	1 304
15º	Odivelas	Lisboa	1 288
16º	Vila Nova de Gaia	Porto	1 284
17º	Silves	Faro	1 275
18º	Loures	Lisboa	1 253
19º	Setúbal	Setúbal	1 248
20º	Tavira	Faro	1 194
21º	Seixal	Setúbal	1 175
22º	Portimão	Faro	1 153
23º	Vila do Conde	Porto	1 137
24º	Maia	Porto	1 133
25º	Torres Vedras	Lisboa	1 119

Ranking	Município	Distrito	Renda (euros/mês)
26º	Amadora	Lisboa	1 118
27º	Santa Maria da Feira	Aveiro	1 069
28º	Vila Franca de Xira	Lisboa	1 065
29º	Vila Nova de Famalicão	Braga	1 058
30º	Espinho	Aveiro	1 024
31º	Braga	Braga	1 004
32º	Alcobaça	Leiria	1 002
33º	Ovar	Aveiro	998
34º	Aveiro	Aveiro	992
35º	Peniche	Leiria	979
36º	Guimarães	Braga	961
37º	Alenquer	Lisboa	940
38º	Ponta Delgada	São Miguel (ilha)	933
39º	Moita	Setúbal	925
40º	Caldas da Rainha	Leiria	908
41º	Viana do Castelo	Viana do Castelo	898
42º	Valongo	Porto	897
43º	Santarém	Santarém	894
44º	Barreiro	Setúbal	880
45º	Leiria	Leiria	843
46º	Barcelos	Braga	840
47º	Coimbra	Coimbra	786
48º	Viseu	Viseu	736
49º	Figueira da Foz	Coimbra	723
50º	Covilhã	Castelo Branco	567

# Rent versus buy



Criteria	Rent	Buy	Rent-to-Buy
Not sure whether Portugal is right, want to trial lifestyle	X		X
Worried about increasing prices		X	
Want to build a revenue/generating portfolio		X	
Part-year residence	X		
Part-year residence with revenue generation		X	
Love a property but need time to sell back home			X
Want flexibility, reduced capital investment	X		
Residence status, NHR (tax free) status	X	X	X
Worried about needing care in the near future	X		
Want an age-specific solution	X	X	

See <http://algarveseniorliving.com/rent-buy-rent-buy/> and [www.portugallonglets.com](http://www.portugallonglets.com)





## T2 apartment purchase/rental by region



- North: cheaper cost of living; history and culture; colder/rainier; rental regulation, improved value for money in non-central areas - Porto: €195K, Braga: €160K, €900/mo.
- Silver Coast: cheaper; history; windier/cold sea. €220K, €950/mo.
- Cascais/Estoril: cosmopolitan, existing expat community, expensive sales and rentals. €350K+, €1,400/mo+.
- “Linha”: easy access to Lisbon and Cascais; urban; less “character”; prices rising fast: €250K; €1200/mo.
- Lisbon: purchasing traditional property; quick movers; high price/m<sup>2</sup>; strict rental regulation. €220K in “emerging” areas/undergoing gentrification, €350K in some others, €1,500/mo.
- South of river Tagus to Setúbal/Costa Verde: cheapest; within 1 hour Lisbon; city requires boat for beach access; beach little infrastructure. €120K, €750
- Algarve: top tourist destination. Highest number enquiries by foreign buyers. 300+ sunny days a year (more than California). Large multinational expat community. Best for winter/summer rentals. €225K, €1200/mo.



# Rental contract types, renter beware and rental etiquette

## Types of contracts suitable for a visa

1. Local lodging (AL) contracts with a term of up to one year. Perfectly possible but these contracts do NOT require “registration” at the *Finanças* as they are managed differently. They are used by owners because they may be in touristic developments. Great for EU citizens
2. Renewable *contratos de arrendamento*: residential long-term contracts, that should be registered by owner (it’s their responsibility but now tenants are also able to register), on which landlords pay stamp duty of 10% of one month, and 28% tax, plus annual tax and HOA/condo fees (where applicable). Usually bilingual and formal
3. Fixed-term *contratos de arrendamento*: the law allows for shorter fixed-terms for specific reasons: buying a home is one of those. Great option for EU citizens or consulates that allow 6 months. May also be part of a two-property solution. Choose winter dates for best prices

## Things to look out for / renter beware:

1. Consulates are demanding residential contracts of minimum 1 year whereas you may only need less: navigating this requires local expertise
2. A “D7-compliant contract” for something in which you cannot stay, that cannot be used as your fiscal residence address, nor used at SEF
3. Winter rental contracts with the “possibility” of extending into the summer
4. Landlord or agents asking for excessive payment terms
5. Landlords not offering a contract and not willing to put anything in writing

## Think of the landlord and intermediaries:

1. Trawling Facebook, FB groups, Idealista i.e. all over social media, and then sending an enquiry stating you are “very interested” in a property
2. Avoid rental tourism: sending too many requests, and requesting a large number of multiple visits
3. “Selling” yourself or your pets: we are perfect tenants, I am a rental owner myself, my dog doesn’t bark...
4. Demanding rental contract registration up front but not offering to pay for the stamp duty costs
5. Hagglng on price: especially making offers without visiting. Demand exceeds supply, especially of visa- compliant contracts
6. Sunday is Sunday everywhere: just because you are free on weekends, don’t expect everyone to answer
7. Calling to have a “chat” and find out more when a lot of the information is on a web site
8. AND THE BIG NO-NO: asking the landlord for an annual contract that will grant you a visa and also for early cancellation (especially with a summer start date)





## The role of the Discovery Tour



### MAKE THE MOST OF YOUR TIME IN THE ALGARVE:

Sign up to the group Discovery Tour straight after the conference  
2 full days covering entire Algarve, incl. local expert, transport, lunches

Sat 13-Sun 14

€299 1 pax, €499 couple

Excellent link to a more detailed comparison between candidate regions

REGION/ TOWN	Modern villa or semi-detached townhouse or refurbished cottage <= €450,000 with private pool	Modern apartment or townhouse <= €450,000 with shared pool	Expat community	Walk to restaurants and cafés from location of suitable properties	1 hour maximum to airport	Weather	Healthcare options
Silver Coast	Very limited options	Very good	Good	Medium	60-120 minutes	Windy, cold in winter	Good
Greater Lisbon / Cascais	No options	No or extremely limited options	Very good	Excellent	Excellent	Windy in Cascais	Excellent
Western Algarve	Some options	Excellent	Excellent	Very good in larger coastal towns	Very good (up to Lagos)	Windy, warm winters	Very good
Eastern Algarve	No options	Excellent	Excellent	Very good in larger inland towns	Excellent	Moderate wind, warm winters	Good



***For more information***



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