WHY**PORTUGAL**2025

INVESTING IN REAL ESTATE

MACEDO VITORINO

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We have strong relationships with many of the leading international firms in Europe, the United States and Asia, which enable us to handle effectively any cross-border legal matters.

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The multidisciplinary and integrated character of our firm allows us to efficiently solve the legal issues of our clients, in particular:

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- Employment
- Foreign investment, mergers & acquisitions and privatisations
- Real estate acquisition and disposal
- Tax

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CONTENTS

INTRODUCTION

Portugal is now one of the preferred destinations of many international investors and foreign high-net-worth individuals wishing to invest in world class real estate opportunities. This is because Portugal offers a welcoming business environment and investment opportunities in a wide variety of sectors, office, commercial and residential buildings as well as in agro-industries and tourism.

Portugal is a country located in the southwestern Europe, enjoying a prime location, good climate and an immense natural beauty from sandy beaches and cliffs along the Atlantic Coast to mountains in the country's inland. Portugal is a member state of the European Union, an economic and political block grouping 27 European countries.

With a lower cost of living than most of Western Europe and a good quality of life, Portugal is well suited for families, modern investors, businesspeople and retirees.

Portugal enjoys a high level of security compared to most countries worldwide, including those in Western Europe. According to the Global Peace Index, Portugal ranks 7th globally and 5th in Europe. This index assesses "global peace" based on three main criteria: societal safety and security, the extent of domestic and international conflict, and the degree of militarisation.

This briefing describes the various legal and practical aspects of investing in the Portuguese real estate market, such as the nature of property rights, the acquisition of property, the structuring vehicles and tax issues.

Other key information concerning the most relevant aspects about doing business or working in Portugal is available at www.macedovitorino.com/en/Why-Portugal. The «Why Portugal» webpage contains a description of the main aspects that concern businesses and individuals investing in Portugal, including: how to set up a business; forms of investment incentives and government grants; getting a Portuguese residence permit or a golden visa; hiring employees, employers' obligations and rules concerning the dismissal of employees; real estate; taxation in Portugal, including income taxes, VAT and property taxes; intellectual property protection, software, patents, trademarks and technology; and the Portuguese judicial system and of the main steps and costs of lawsuits.

1. MARKET OVERVIEW

The Portuguese real estate market continues to attract many local and international investors, as well as foreign nationals who wish to move to Portugal.

According to the National Institute of Statistics (*Instituto Nacional de Estatística*, INE), Portugal's statistical authority, the median price of family dwellings in Portugal reached €1,870 per square meter in the fourth quarter of 2024, in a total of 44,115 transactions. This reflects a significant year-on-year increase of 15.5% compared to the fourth quarter of 2023, up from a 10.8% rise in the previous quarter (based on preliminary data from INE). Additionally, the number of family dwelling sales surged by 34.2% over the same period in 2023. [1]

The average price per square meter in the metropolitan area of Oporto was, in October of 2024, at €2,789, while prices in the Lisbon area were set even higher, at €4,152.

Lisbon remains one of Western Europe's more affordable capitals for housing, despite a steady rise in property values.

The average price in central Lisbon ranges between €6,000 and €7,000 per square meter, with prime properties reaching €10,000. While this figure reflects a premium segment of the market, it is still lower than comparable properties in cities like Amsterdam, Madrid and Barcelona.

Portugal's real estate investment market in 2024 and 2025 shows robust growth in the hotel and retail sectors and a renewed momentum in office and logistics fuelled by economic growth, falling interest rates, and a market-wide focus on sustainability and prime asset quality, leading to increased number of transactions and higher values.

According to CBRE, overall investment volume is projected to reach €2.5 billion in 2025, an 8% year-on-year increase. [2]

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[1] INE: House prices accelerate in 19 of the 24 most populous municipalities - 4th Quarter 2024

[2] CBRE Portugal Real Estate Market Outlook 2025

Lisbon continues to dominate investment flows, capturing 54% of volumes, followed by Porto at 7%.

The hotel and retail sectors will continue to attract the largest capital flows, with office and logistics also seeing upward trend due to occupational demand and modernisation pressures.

2. PROPERTY RIGHTS

2.1. GENERAL ASPECTS

Like in other civil law countries, there are two types of property rights under Portuguese law:

- rights *in rem* (*direitos reais*) which can be enforced against any third party or entity; and
- rights *in personam* (*direitos pessoais*) which can only be enforced against the person (individual or legal entity) with whom a contract obligation exists.

Rights *in rem*, as defined in the Portuguese Civil Code and other relevant legislation, are limited to those explicitly recognised by law and include property and property-like interests. Rights *in rem* must be created, mortgaged, or transferred through a deed executed before a Portuguese notary or attorney and must be registered with the land register.

In contrast, rights *in personam*, such as lease agreements and other usage rights, generally do not require registration with the land register, although certain leases can be registered, e.g. leases exceeding a duration of 6 years. As a rule, these rights can be created or transferred via contract.

Public records of properties, including registrations of acquisitions, mortgages, and other liens or encumbrances on immovable assets, including registered leases, are accessible online, and such registrations can be filed digitally.

2.2. RIGHTS *IN REM*

The most important forms of property interests in Portugal are:

- **Freehold (*direito de propriedade*)**. Freehold gives the owner the right to use, exploit and dispose of a certain immovable asset. These rights include the right to build on a property subject to the applicable licensing requirements and planning restrictions.
- **Joint ownership (*compropriedade*)**. It is possible for more than one person to own a property, where each owns an intangible share of the property. Each co-

owner can dispose of her/his share of the property without the consent of the other co-owner(s), who have right of preferred acquisition.

- **Commonhold ownership (*propriedade horizontal*)**. Portuguese law allows buildings or building developments to be divided into units (*frações*) where each unit, which may be a store, an apartment or an office, is owned by a single owner and the common areas of the building, including the staircases, outside area, roof, etc., are co-owned by the owners of the building's units. The owners together constitute the community of owners of the commonly owned property. Each owner may freely dispose of or encumber her/his unit of the building, including her/his share in the common areas, but the latter cannot be disposed of or encumbered separately.
- **Building rights (*direito de superfície*)**. Building rights give their holders the right to construct and maintain a building or plantation on a property. The building right may be temporary or permanent.
- **Usufruct (*direito de usufruto*)**. Usufruct rights give their holder the right to use and collect the fruits (*frutos*) of the property, which include rents, crops and other periodic revenues that may be generated by the property.

No property rights or similar rights can be created by contract other than in the manner specified in the law.

2.3. RIGHTS *IN PERSONAM* (LEASE RIGHTS)

The following are the most commonly used rights *in personam* in Portugal in modern legal practice:

- **Lease rights**. Under a lease agreement, the lessor grants the tenant the temporary right to use the leased asset. The tenant is obligated to return the asset upon the expiration of the lease term.
- **Financial lease rights**. Under a financial lease agreement, a bank or leasing company purchases the property selected by the tenant. The tenant is granted the right to use the property or building in exchange for rent payments, with the additional option to acquire the leased asset at the end of the agreement term.

Portuguese law allows the parties to stipulate the main terms and conditions of leases, such as the rent, rent review conditions, cost allocation, duration, renewal conditions, termination (with certain restrictions), etc.

The maximum term of leases is thirty years. There is no statutory term, and the parties can specify the applicable term. In the absence of a contractual term, the implied statutory term is five years. Typically, leases for office space and stores have a duration of five to ten years.

The rent is usually payable monthly, but different payment terms may be agreed upon. Rent-free periods are common in store, office and factory leases. In most contracts, rents are updated annually in accordance with the consumer price index (excluding housing) published by the National Statistics Institute (*Instituto Nacional de Estatística,* INE), but the parties may agree on other criteria for reviewing rents.

Only premises licensed by the relevant municipality may be leased. The purpose of the lease must be in accordance with the relevant use permit.

The transfer of the lessee's position as part of the transfer of a business establishment (*trespasse*) does not require the property owner's consent.

The statutory provisions regarding the termination of lease agreements due to default of the parties are mandatory.

Tenants have a preference right in case of sale of the property after the second year of the lease agreement.

Eviction of defaulting tenants is enforced through a special eviction procedure (*procedimento especial de despejo*), which is carried out through the National Lease Office (*Balcão Nacional do Arrendamento*).

Leases of stores in shopping centres, retail parks and other similar developments where the owner or manager also provides certain management and operation services to the lessee are not subject to the statutory rules on leases, allowing the parties to freely determine the terms and conditions of the lease, subject only to general contract law rules and principles.

Typically, the main rules on the operation of the development are set out in a regulation approved by the development owner or manager. Rent-free periods, stepped-up rents and rents with variable components are common in shopping centre leases.

The costs of utilities, services, maintenance and improvement works are normally borne by the lessee in the form of common service charges, which include management fees, other common areas-related services and, sometimes, marketing costs.

Service charges are based on the area of the shops leased to each of the tenants in proportion to the overall area of the development.

Although parties are free to agree to the terms and conditions of the lease, it is common for agreements to be set out in standard contracts that are not subject to negotiation.

3. ACQUISITION OF PROPERTY

3.1. PROMISSORY AGREEMENT OF SALE AND PURCHASE

In most cases, the process of buying a property begins with the execution of a promissory sale and purchase agreement. While not mandatory, these agreements are crucial to ensure the sale is completed when the seller cannot deliver the property immediately; for instance the building's construction or renovation has not been completed at the time, the lack of registration of ownership or building and other administrative permits, the property being used by the seller or a tenant, or the buyer not yet having obtained financing.

Once the promissory agreement is executed, typically the buyer makes a down payment to the seller of 10 to 20% of the sale price.

Promissory agreements may also give priority over third parties' rights when registered with the Land Registry Office. This ensures that the property cannot be sold to another person. The registration is valid for six months and can be renewed for equal periods, or until one year after the date set by the parties for the execution of the deed of sale and purchase.

3.2. DEED OF SALE AND PURCHASE

The purchase of property must be made through a deed of sale and purchase executed before a notary (*escritura pública*) or an attorney.

The acquisition of property is subject to municipal property transfer tax and stamp duty, which must be paid in advance of the execution of the public deed of purchase, and, when applicable, notary's fees.

Once the sale and purchase deed has been registered, the provisional registration with Land Registry Office, in case it was made after the execution of the promissory agreement, will become definitive. When the promissory sale and purchase agreement has not been registered, the purchaser should register the deed of sale and purchase as soon as possible after execution.

Registrations with Land Registry Office can be carried out online through the website https://www.predialonline.pt/PredialOnline/.

4. STRUCUTRING THE ACQUISITION

4.1. OVERVIEW

Investments in property in Portugal may be carried under any of the following structures:

- direct ownership by the investors; and
- indirect ownership by way of the incorporation of a Portuguese or foreign special purpose vehicle (SPV).

Portuguese SPVs may take one of the following forms:

- a commercial company; and
- a real estate investment undertaking.

4.2. PORTUGUESE COMMERCIAL COMPANIES

Commercial companies, such as private limited liability companies (*sociedade por quotas*, abbreviated as "Lda") and public limited liability companies (*sociedade anónima*, abbreviated as "SA"), are generally suitable for real estate investment.

Historically, public limited liability companies were the preferred choice due to tax benefits, as the transfer of their shares did not trigger municipal property transfer tax. However, following amendments to the relevant legislation, public and private limited liability companies are now treated equally, eliminating any tax advantage for public limited liability companies.

Nevertheless, for companies with multiple investors, a public limited liability company may still offer corporate advantages. Notably, the transfer of shares is straightforward and does not require registration at the Commercial Registry Office.

4.3. REAL ESTATE INVESTMENT UNDERTAKINGS

The incorporation of collective investment undertakings is increasingly common in Portugal, driven by recent legislative changes. These entities are governed by the provisions of Decree-Law No. 27/2023, dated 28 April 2023.

Collective investment undertakings are classified into two categories:

- Undertakings for Collective Investment in Transferable Securities (UCITS); and
- Alternative Investment Undertakings (AIU), which include Real Estate AIUs.

Real Estate AIUs can take the form of either:

- an Alternative Investment Fund (AIF); or
- an Alternative Investment Company (AIC).

These entities may be structured as open-ended, closed-ended, or mixed, depending on whether the participation units or shares issued are variable or fixed in number.

Real Estate AIUs are permitted to acquire property rights over immovable assets for purposes such as leasing, resale, or other economic activities. They may also hold shares in real estate companies, subject to specific legal restrictions.

The incorporation of a Real Estate AIU requires authorisation from the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, CMVM). However, in cases of private subscription, a prior notification may suffice, provided that, for an AIC, it is managed by an authorised management company.

In recent years, there has been a significant increase in the number of AICs investing in real estate in Portugal.

AICs are subject to the following rules:

- **Legal Form**. AICs must be incorporated as a public limited liability company.
- **Management**. AICs may be either self-managed or managed by an authorised management company.
- **Minimum Capitalisation Requirements**. If management is not delegated to a management company, the AIC must comply with specific managing and minimum capitalisation requirements. AICs must be established with a minimum share capital of €50,000 if managed by a management company, or €300,000 if self-managed. The share capital must be represented by nominative shares.

- **Main Centre of Business**. AICs registered in Portugal must have its head office located in Portugal and be managed from within the country.

Open-ended Real Estate AIUs are generally subject to corporate income tax, but some specific income streams, such as rental income, real estate capital gains, capital income, and dividends, are exempt from taxation.

Additionally, open-ended Real Estate AIUs benefit from an exemption on municipal property transfer tax.

Real Estate AIUs are liable for stamp duty on their net asset value at a rate of 0.0125%.

Income distributed to investors is taxed as follows:

- Resident individuals are taxed at a rate of 28%.
- Resident companies are subject to corporate income tax at the applicable rates.
- Non-resident investors (both individuals and companies without a permanent establishment in Portugal) are generally subject to a withholding tax at a rate of 10%.

5. TAX ISSUES

The transfer of immovable property is taxable under the Municipal Property Transfer Tax (*Imposto Municipal sobre as Transmissões Onerosas de Imóveis*, IMT).

IMT is calculated based on the tax value of the property or the declared purchase price, whichever is the highest.

The table below summarises the IMT rates applicable to the acquisition of urban property intended for primary residency in mainland Portugal.

VALUE (€)	RATES	DEDUCTION (€)
Up to 104,261	0%	0
From 104,261 to 142,618	2%	2,085.22
From 142,618 to 194,458	5%	6,363.76
From 194,458 to 324,058	7%	10,252.92
From 324,058 to 648,022	8%	13,493.50
From 648,022 to 1,128,287	6%	
Above 1,128,287	7.5%	
In acquisitions by individuals under the age of 35, the first €324,058 will be exempt.		

The table below summarises the IMT rates applicable to the acquisition of urban property for secondary residence in mainland Portugal.

VALUE (€)	RATES	DEDUCTION
Up to 104,261	1%	0
From 104,261 to 142,618	2%	1,042.61

From 142,618 to 194,458	5%	5,321.15
From 194,458 to 324,058	7%	9,210.31
From 324,058 to 648,022	8%	12,450.89
From 648,022 to 1,128,287	6%	
Above 1,128,287	7.5%	

The IMT rate will be 10%, irrespective of the value, in case of properties owned or controlled, directly or indirectly, by legal entities resident in a state, territory or region with a clearly more favourable tax regime.

Typically, real estate transactions are exempt from VAT. Notwithstanding, under certain conditions, the seller or the lessor may opt to renounce such exemption to be able to deduct the input VAT.

Ownership of immovable property is subject to the Municipal Property Tax (*Imposto Municipal sobre Imóveis*, IMI). IMI is payable in up to three instalments and levied on an annual basis on the value of property located in Portugal and is owed by the property or usufruct owner or the holder of the surface right at the following rates:

- 0.8% on land and attached facilities (*prédios rústicos*);
- between 0.3% and 0.45% on urban properties (*prédios urbanos*); and
- 7.5% on properties owned or controlled, directly or indirectly, by entities resident in a state, territory or region with a clearly more favourable tax regime.

The applicable rate within these ranges will be determined by the municipalities on a yearly basis and increase threefold in the case of urban property left vacant for more than a year or of buildings in a state of ruin.

The urban buildings and apartments will be deemed not to be in use if the owner has no contracts with utilities or there has been no consumption of water, electricity, gas, and telecommunications for a period of one year.

Real estate assets (excluding assets allocated to commercial, industrial and service activities) may also be subject to Additional IMI (*Adicional ao IMI*, AIMI).

For individuals, the taxable value up to €600,000 will be AIMI exempt. Above this amount, the following rates will apply:

- 0.7% on the taxable value from €600,000 to €1 million;
- 1% on the taxable value up from €1 million to €2 million; and
- 1.5% on the taxable value above €2 million.

For companies, the AIMI is lower (0.4%), but there is no exemption. However, if the real estate is used as a residency of the shareholder or a corporate body member, AIMI will apply at the following rates instead:

- 0.7% on the taxable value up to €1 million;
- 1% on the taxable value from €1 million to €2 million; and
- 1.5% on the taxable value above €2 million.

The AIMI rate will be 7.5% for legal entities resident in a state, territory or region with a clearly more favourable tax regime.

6. CONCLUSIONS

Below are the conclusions of the briefing on real estate acquisition in Portugal:

1. **Why Portugal**. Portugal is becoming an important destination for international investors and high-net-worth individuals seeking real estate opportunities in office, commercial, residential, agro-industries and tourism. Portugal offers a lower cost of living and high quality of life compared to much of Western Europe and a secure environment for investors, ranking 7th globally and 5th in Europe on the Global Peace Index, and a stable legal environment as a member state of the European Union.
2. **The Real Estate Market**. With projected investment volumes of €2.5 billion in 2025, dominated by Lisbon (54%), and growth opportunities in hotels, retail, office, residential and logistics markets, Portugal offers significant opportunities for investors.
3. **Property Rights**. Under Portuguese law, rights over real estate assets are categorised in two types: property and property like rights (enforceable against all, such as ownership, requiring public deed and land registry registration) and contractual rights (enforceable only against the parties to the contract, like leases, generally not requiring registration). Public records of property transactions, including acquisitions and encumbrances, are accessible online, and registrations can be completed digitally.
4. **Lease and Usage Rights**. Leasing in Portugal offers the same flexibility as other developed countries, with commercial leases capped at 30 years and negotiable terms tied to inflation indices in the residential market, while commercial and industrial leases have less restrictions.
5. **Acquisition of Property**. The property acquisition process in Portugal often begins with a promissory sale and purchase agreement, though not mandatory, to secure the transaction when immediate delivery is not possible (e.g., incomplete construction or pending financing). The transfer of the property is made through a public deed of sale and purchase executed before a notary or attorney, accompanied by payment of property transfer tax and stamp duty in advance. The deed of sale and purchase must be registered in the land registry to ensure it is effective vis-à-vis third parties.

6. **Structuring the Acquisition**. Investors in Portuguese real estate can structure acquisitions through direct ownership, or indirectly via foreign or Portuguese special purpose vehicles (SPVs). Portuguese SPVs include commercial companies like private limited liability companies (Lda) or public limited liability companies (SA, often preferred for easy share transfers), and real estate investment undertakings such as Alternative Investment Undertakings (AIU), which can be funds or companies, open or closed-ended. AIUs benefit from tax exemptions on certain income, though distributions are taxed, and must meet specific capital and management requirements, offering tailored options for risk and financial planning.
7. **Tax Considerations**: Taxation in Portugal impacts real estate investments through the Municipal Property Transfer Tax (IMT, 0–7.5% for housing, up to 10% for tax haven entities), annual Municipal Property Tax (IMI, 0.3–0.8%, tripled for vacant properties), and Additional IMI (AIMI, up to 1.5% for high-value assets). While transactions are generally VAT-exempt and AIUs enjoy corporate tax exemptions on income, distributions are taxed, necessitating careful tax planning for cost optimization.

CONTRIBUTORS

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IMPORTANT NOTICE

This document was produced with the assistance of KEY TERMS, a multi-model legal AI software that integrates the following large language models (LLMs): Perplexity, Grok 3 and OpenAI. All AI generated output was revised and rewritten by human lawyers.

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ABOUT PORTUGAL

TERRITORY, POPULATION AND LANGUAGE

Portugal is situated on the southwest coast of Europe, bordering only with Spain. With a territory of 92,152 Km2, Portugal has the largest maritime zone in Europe. Its continental platform borders the American platform.

Portugal has an 800-year history, and its European borders have been established for over 500 years.

Portuguese is the sixth most spoken language in the world, spoken by 270 million people in Portugal, Brazil, Angola, Cape Verde, Mozambique, Guinea Bissau, São Tomé and Príncipe and Timor.

POLITICAL SYSTEM

Portugal is a parliamentary republic. The legislative power lies with a national parliament (*Assembleia da República*), with 230 seats. The members of parliament are elected by universal vote for four-year terms. The Government depends on the parliament's support. The Government is led by a Prime Minister.

The President of the Republic has limited powers but has the power to influence the Parliament's and the Government's decisions and dissolve the Parliament in extraordinary circumstances.

INTERNATIONAL RELATIONS

Portugal has been a member of the EU since 1986, a founding member of the Euro and the Portuguese-speaking Countries Community (*Comunidade dos Países de Língua Portuguesa*, CPLP), which groups all Portuguese-speaking countries. Portugal is a member of the United Nations, NATO and the OECD.

CURRENCY AND BANKING SYSTEM

Portugal is one of the founding members of the «Euro», the currency of 20 European countries. The Euro is the second most traded currency in the World after the US Dollar.

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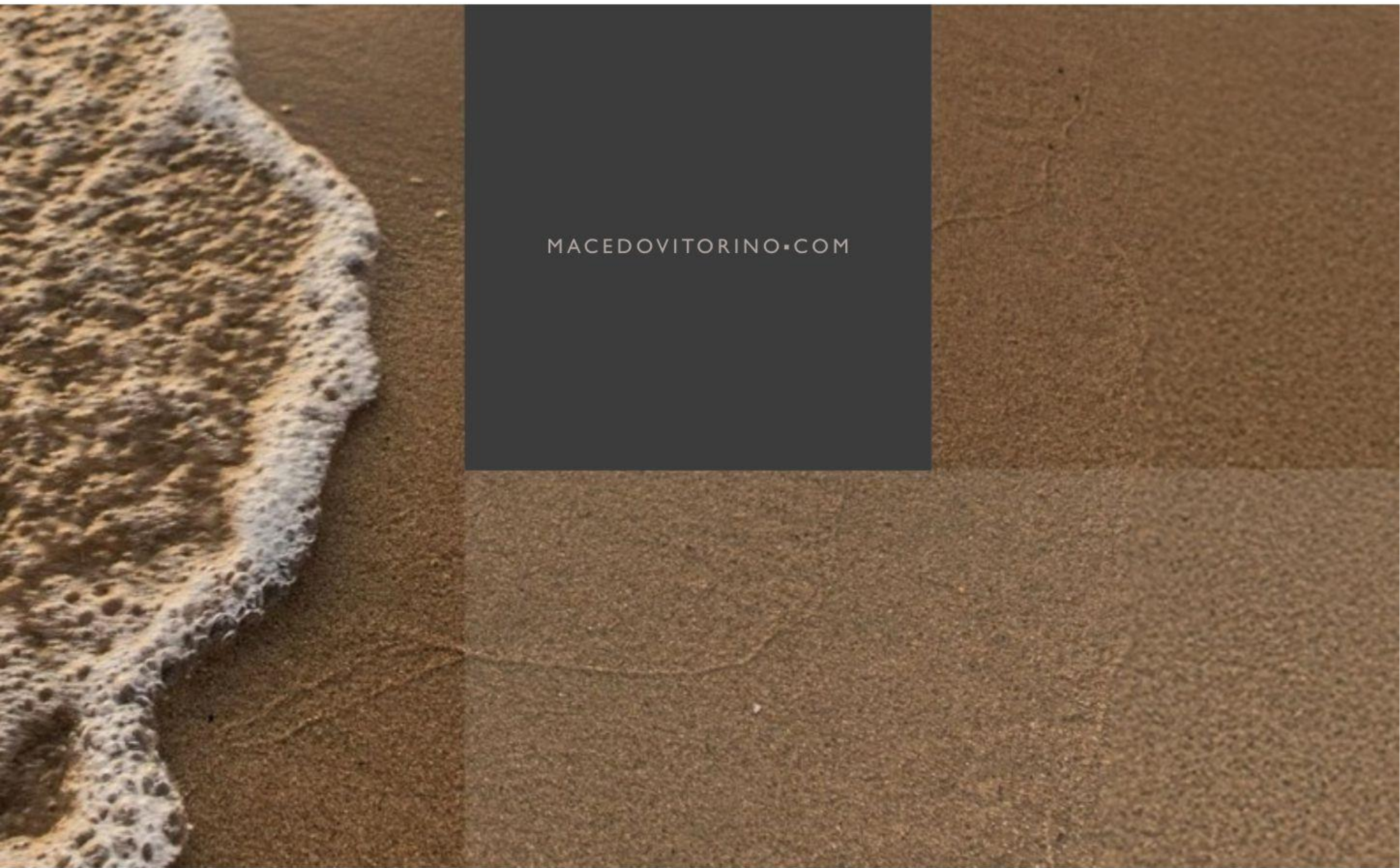

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