

Real Estate Agency
Vacation Rental Management
Property & Investment Development

REAL ESTATE IN THE ALGARVE

Invest with confidence



Lux Home Algarve
Real Estate & Rental Company

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WHY INVEST IN THE ALGARVE ?

Why invest in the Algarve ?

- **The best weather in Europe**

- +300 sunny days per year
- Pleasant Winters (average 17-18°C / 63-64°F)

**7th Safest Country
in the World**

- **The most beautiful beaches in Europe**

- Praia da Marinha & Praia da Falésia : Top 10 National Geographic
- Ponta da Piedade : One of the most known place
- Benagil Caves : the most famous beach cave in Algarve
- Wonderful beach stones :
 - Elephant Rock, Submarin Rock, Crocodil Rock, etc.
- The sky has an unique blue, and the stones have an unique yellow

- **Algarve : easy to go**

- Average 2-3 hours by plane from every cities in Europe
 - Paris, London, Berlin, Rome, Amsterdam, etc.
- New direct flight from New York to Faro (Algarve Airport)

- **Algarve : multi cultural zone**

- Lot of foreigners : easy to adapt ourselves
- Portuguese people friendly and speaks English : easy to communicate

- **Zen & peaceful attitude in Algarve, not stressful**

- Attract a lot of retired people and digital nomads : attractive all the year

- **Summer : one of the most dynamic zone in Europe**

- A lot of worldwide festivals
- All the activities adapted to summer
 - Nautical activities, beach parties, restaurants/bars/clubs all opened
- Summer price for holidays very high
 - Good for investing : high demand period





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HOW TO BUY IN THE ALGARVE ?

How to buy in the Algarve ?

- **Choose your ideal property;**
- **Agree price, timings and any special conditions** for your purchase;
- **Contract a lawyer** to act on your behalf.

The lawyer will provide the following services:

- Analyze property documents to ensure the property is in good standing for a sale;
 - Provide you with a due diligence report on the property, explaining the registration;
 - Ensure there are no debts, unpaid taxes, liens, mortgages or charges on the property – or that any debts are cleared before the final deed;
 - Draft a promissory contract outlining yourself as the buyer, the details of the vendor, the property and the conditions agreed;
 - Receive funds and make payments on your behalf to the vendor, tax department & notary;
- **Standard timings** are to sign promissory contracts with a 10% non-refundable deposit within a period of 10-20 days following a verbal agreement and complete the sale at an agreed date following;
 - 10% is the standard deposit value, although this can sometimes also be negotiated;
 - The deposit is always non-refundable, so if you change your mind, you will lose the deposit. If the vendor changes his mind, he must return your deposit and pay you an indemnity equal to the value of the deposit;
 - Completion and balance payment is usually defined as 30, 60 or 90 days following the signing of the promissory contract. Timings are generally flexible and may be extended depending on the wishes of the vendor and buyer.



How to buy in the Algarve ?

- **Property contents** - If the property is being sold as furnished, a full inventory list is outlined as an annex to the contract so all parties are clear regarding any contents that will stay in the property.
- **Taxes & Purchase fees** are paid for by your lawyer 1-2 days before completion. These are one time only costs and will range from 5-8% of the purchase price. They include Property Transfer Tax, Stamp Duty, Notary fee, Registration fee, Costs for a lawyer to handle the purchase for you and other small costs such as a power of attorney for the lawyer and changing utility contracts into your name.
- **Final payment** for the property is made at completion, and keys are handed over at this time. We perform a check of the property 1 day before completion to confirm an agreed inventory and to take meter readings of all utilities which are given to the lawyers at the final completion deed.
- **Alteration of utility contracts** into your name will be done by the lawyer. You may also wish to set up a Portuguese bank account prior to completion so your lawyer can organize for direct debit payments for your utility bills. You may also wish to contract a property management service to look after your property if it is not your full-time residence.

We are happy to provide recommendations for all service providers upon request.



How to buy in the Algarve ?

Mortgage is possible for any foreigners, private and company with a good financial profile to be acceptable for the Portuguese banks.

For more info, we have strong mortgage brokers in partnership.

Housing mortgage

- Principal housing : 10-15% to bring first
 - The bank will choose the lowest value of :
 - 85-90% of the buy price
 - 70% of the property price according a evaluation company
- Secondary housing or classic investment : 20-30% to bring first
 - The bank will choose the lowest value of :
 - 70-80% of the buy price
 - 70% of the property price according a evaluation company

Long-Term Mortgage

- Development investment : 20-30% to bring first
 - The bank will choose the lowest value of :
 - 70-80% of the buy price
 - 70% of the property price according a evaluation company
- Interesting thing :
 - We can use the potential income of the property in long-term rental
 - Add the potential income and our financial profil
 - Bank will calculate 70% of the total income
 - Rental income + Salary income = more chance to have the credit



How to buy in the Algarve ?

High construction mortgage

- Scenario 1 :
 - The land if the entrance of the mortgage : buy directly the land first
 - Financial process for the construction
 - Monthly interests during the construction
 - Monthly interests + capital after the end of the construction
 - Can sell the properties before paying interests + capital
- Scenario 2 :
 - 90% the bank can finance all the project (land + construction)
 - 10% to bring first of all the project
 - Financial process for the construction
 - Monthly interests during the construction
 - Monthly interests + capital after the end of the construction
 - Can sell the properties before paying interests + capital
 - Need to have a strong financial profil





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BUYING COSTS IN THE ALGARVE

Buying costs in the Algarve

Property Transfer Tax (IMT)

- Average between 6% and 8% of the property price
- Depends on the value & property type

• Stamp Duty Tax (IS)

- 0,8% of the property price

• Registration Fee

- Average 300€

• Notary Fee

- Average between 400€ to 1000€ per property, depends on the property value and the complexity of the transaction

• Power of Attorney (POA) & lawyer to handle the purchase for you if needed

- Average 1% of the property price + VAT 23%





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HOW TO SELL IN THE ALGARVE ?

How to sell in the Algarve ?

- **Copy of the ID and NIFs (Tax Number) of the owners of the property**
- **Power of attorney (POA) certificate**
 - If there is a power of attorney with owners.
- **Copy of the authorization of the heirs**
 - If there is an inheritance.
- **“Caderneta predial” : Finances registration**
 - Sometimes there is more than one “caderneta”, because the building may be mixed, so there are urban and rural “cadernetas”.
 - You can obtain the “Caderneta Predial” from your Finance Portal (www.portaldasfinancas.gov.pt) or through your legal representative if you already have one.
 - Info : this document has to be updated, with your name not the previous owner
- **“Certidão Predial Permanente” : Permanent Land Certificate**
 - It costs €15, valid 6 months until 1 year;
 - You can obtain de “Certidão Predial Permanente” from the Online Web Portal (www.predialonline.pt/PredialOnline) or through your legal representative if you already have one.
 - Online Web Portal request :
 - Need to have the Certificate Number (into the last deed of sale)
 - Like 1111-1111-1111
 - If you don't have it, need to create it
 - Need the “Artigo Predial” Number in the ‘Caderneta Predial’
 - Like 1111



How to sell in the Algarve ?

- **“Licença de Utilização” : User Licence Number**
 - Buildings built before 1951 are exempt from use licences
 - But there is a declaration issued by the Town Hall to prove this
 - We find it into the Certidão Predial Permanente, or into the last deed of sale
- **Valid Energy Certificate**
 - If not applicable : must have a certificate to justify it.
- **Official plans of the property**
 - If before 1951, sometimes there are none. To be sure when the property before 1951, ask to the Municipality or your legal representative.
- **“Ficha técnica de habitação” : Technical data sheet of the house**
 - For the buildings that have been built or have undergone remodeling and alterations after 30 March 2004.
- **Copy of the deed**
 - If possible
- **Levantamento da hipoteca : mortgage lifted certificate**
 - If you have a mortgage for your current property
 - Certificate sent by the bank
 - Need to request it to the bank before the future deed of sale
 - Process not automatic, need to go by yourselves





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SELLING COSTS IN THE ALGARVE

Selling costs in the Algarve

- **Agency commission**
 - Our agency : 5% incl. VAT
- **Energetic Certificate**
 - Depends on the size of the property
 - From 150€ until 400€, valid for 10 years
- **Power of Attorney (POA) & lawyer to handle the selling process for you if needed**
 - Average 1% of the property price + VAT 23%
- **Capital gains after selling process**
 - There are different situations for capital gains
 - Please consult our accounting partners for detailed guidance





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WHERE TO INVEST IN THE ALGARVE ?

Where to invest in the Algarve ?

Short-term Rental Investment



- Tourism is very high demand but there are a lot of properties/competitors
- Price per m2 very high
 - High profitability very difficult to find with the rental income
 - High price to buy : expenses higher than cashflow (net income)
- The idea is to find property with the lowest €/m2 as possible
 - Building to renovate
 - High construction from a land
 - Strong negotiation about the price

Buy & Flip Investment



- Lot of foreigners buy in Algarve : high demand
- Price per m2 very high : good to create a profit after a flip (resell)
- The idea is to find property with the lowest €/m2 as possible
 - Property with renovation needed
 - Create m2 into a property if possible (because €/m2 high)
 - Building to renovate
 - High construction from a land
 - Strong negotiation about the price
- Need to bring an interesting financial profil to be able to buy
- Need to have an experience on construction and works
 - To anticipate the estimate cost of construction before an offer
 - Or someone who can help



Where to invest in the Algarve ?

Long-Term Rental Investment

Medium



- Housing crisis
 - Tax advantage to accommodate people in long term
 - Incredible high demand
- A lot of foreigners wants to live here (nomade digital, retired people, etc.)
 - Premium Long Term Rental > 1000€/month
- Need few work and control
- The idea is to find property with the lowest €/m2 as possible
 - To find out of the tourism zone
 - Outside the city, far from the beaches or marina (classic rental)
 - Get a strong negotiation with the price
 - In the interesting zones, a bit close to the beaches (premium rental)

Others Investment Opportunities

Excellent



- **Creating hostels**
 - High demand and income very high / €/m2
 - But need to be confirmed about real estate investment
 - Need to create a business plan to manage hostel
 - Need to find a good zone and find an interesting /m2
- **Property development**
 - High demand about buyers who wants to buy a new property
 - Can buy a real estate property with €/m2 interesting
 - Can find a construction worker with €/m2 interesting
 - Need to be confirmed in real estate investing
 - Need to bring an interesting financial profil to be able to buy
 - Need time to get the ROI of the investment (end of construction)



Where to invest in the Algarve ?

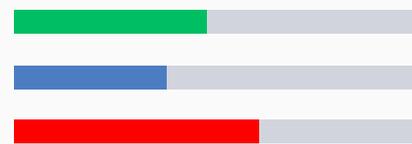
Short-Term Rental : Capacity to get a profitable property to explore

Long-Term Rental : Capacity to get a profitable property to explore

Buy & Flip : Capacity to get a profitable resale after 4-5 years

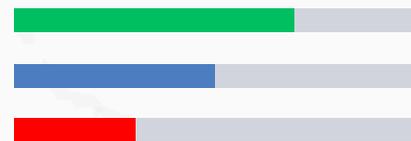
Albufeira

- Short-Term Rental
- Long-Term Rental
- Buy & Flip



Silves / Armação de Pêra

- Short-Term Rental
- Long-Term Rental
- Buy & Flip



Lagoa / Carvoeiro / Ferragudo

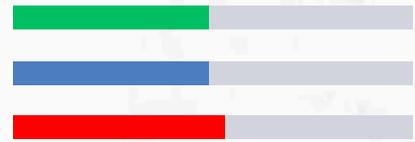
- Short-Term Rental
- Long-Term Rental
- Buy & Flip



Where to invest in the Algarve ?

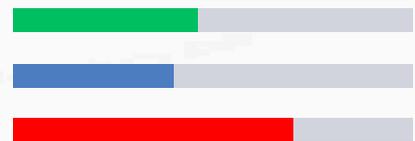
Portimão / Alvor

- Short-Term Rental
- Long-Term Rental
- Buy & Flip



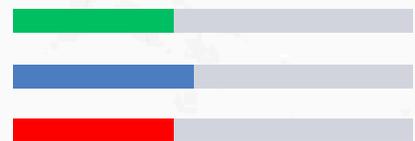
Lagos / Luz

- Short-Term Rental
- Long-Term Rental
- Buy & Flip



Vila do Bispo / Sagres

- Short-Term Rental
- Long-Term Rental
- Buy & Flip



Aljezur

- Short-Term Rental
- Long-Term Rental
- Buy & Flip





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EXAMPLES

Example of buying costs

Property deed value	1.000.000 €
Property type	Second Home
Property Transfer Tax (IMT)	60.000 €
Stamp Duty Tax (IS)	8.000 €
Registration Fee	300 €
Notary Fee	600 €
Lawyer Process (if needed)	12.300 €
TOTAL	81.200 €
	8,12 % of the price



Example of selling costs

Property deed value	1.000.000 €
Property type	Second Home
Agency Commission	50.000 €
Energetic Certificate	400 €
Capital gains	Consult our accounting partners
Lawyer Process (if needed)	12.300 €
TOTAL	62.700 €
	6,27 % of the price





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THE STRATEGIES TO INVEST

The Strategies to Invest

- **Hunting the lowest €/m² to buy**
 - Ratio between high demand zone & interesting price
- **Get the best ratio between rental profit & flip**
 - To have several choices to adapt
- **Improve the mortgage process**
 - Less cash engaged (more the money bank)
 - The bank helps the investment
 - Evaluation company to housing property
 - Engineering company for high construction
 - Control of the money transfert
 - Follow-up of the contracts & administration
 - Insurance included
- **Need to know the reason of the investment**
 - To increase real estate heritage
 - To develop another project (personal or familial)
 - Need to know the deadline
 - Need to have the results
 - In 5 years / 10 years
 - Need monthly income or not



Ferragudo

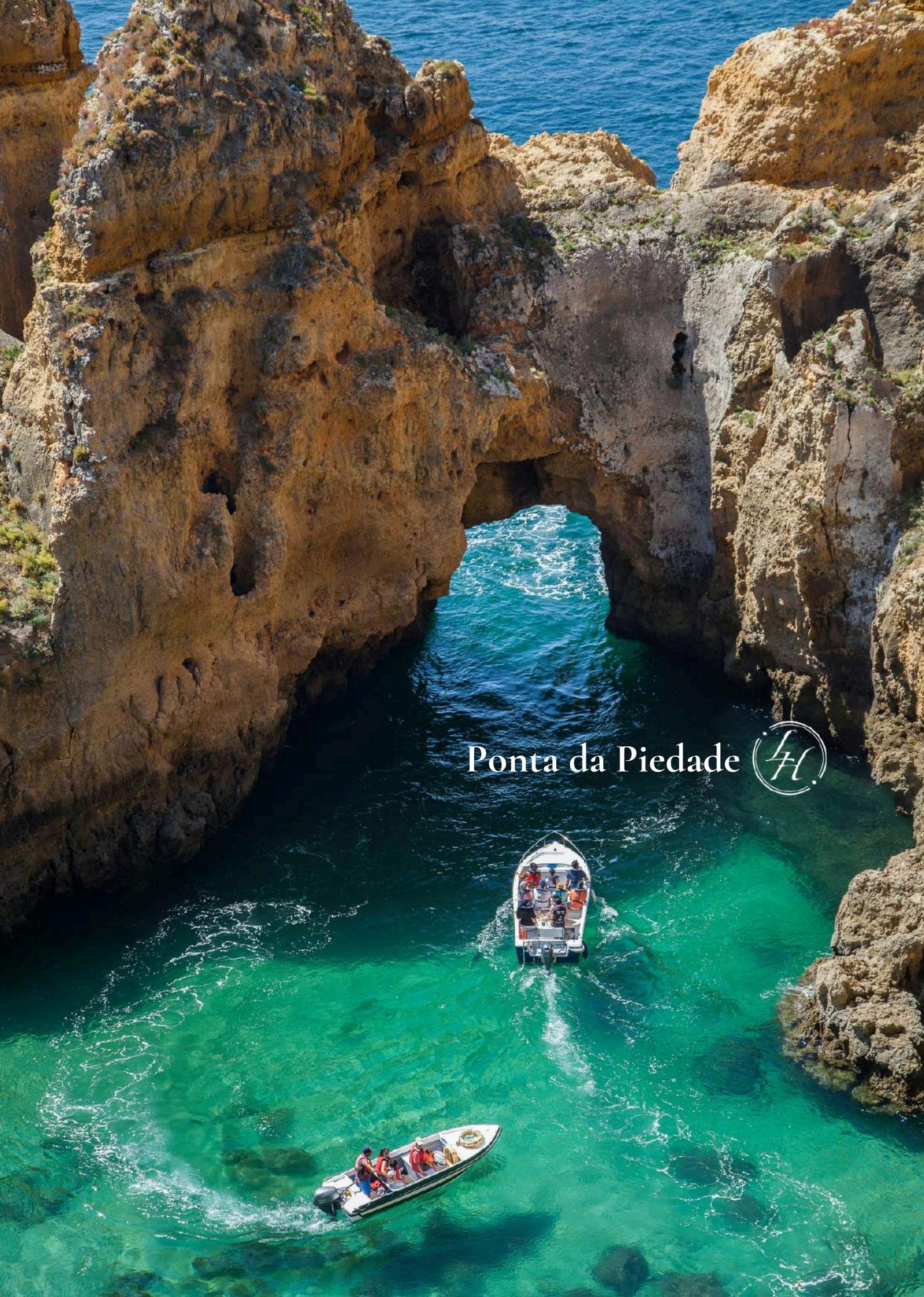




Benagil Cave



Ponta da Piedade 







Praia do Camilo





Praia da Marinha





Praia do Carvoeiro





Praia da Falésia





Fortaleza de Sagres





Albufeira Center



 Praia da Rocha





Senhora da Rocha 



Algar Seco





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