

Why invest in Portuguese Property? This is a basic question that requires a solid answer before launching into a substantial commitment in a new country, particularly with the current bleak short-term outlook around the world. The potential on-going rewards, whether through direct use from owner occupancy or diverse forms of rentals, can bring in an excellent return with potentially promising tax treatment in Portugal. Let us examine some of the underlying factors that outweigh the short-term doom and gloom that bombards us daily on the evening news.

## Demographics



The heart of future growth lies in the demographic reality of an aging Europe. We have all heard about the “greying of Europe”. A recent report in the journal Science revealed a picture of a fast-ageing population. Life expectancy for British women, for example, has risen from just 50 a century ago to nearly 80 now and by 2080, it is expected to rise to 100.

The consequences for Society are startling. As it impacts on our youth-dominated culture, the aging population will spark a seismic change in the landscape, making all the familiar features unrecognisable. In all areas of life – pensionable age, crime patterns, popular culture, politics and family relationships – nothing will be left untouched.

Over the coming years, as the “baby-boom” generation retires, there will be a tide of seniors migrating south to the warmer, more hospitable climates. In neighbouring Spain, demographers predict that the number of foreign property owners will increase by five fold in the next decade alone. For a tiny country like Portugal, this wave of retirees translates into a huge influx of new home owners looking for their place in the sun. Not only will traditional destinations such as the Algarve or Madeira remain popular, whole new regions of the interior will be discovered by this coming invasion of greying Northern Europeans.

## Expansion of Residential Tourism

The term “Residential Tourism” is commonly used and refers to a specific type of tourist: one who chooses non-hotel accommodations, usually owned, rented or lent property. Contrasted

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Written by Administrator

Thursday, 28 April 2011 16:29 - Last Updated Wednesday, 29 June 2016 21:48

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with vacation tourism, the residential tourist typically stays longer and/or more often, uses an owned or rented residence for accommodation and has a leisure goal connected with a certain quality of life.

In 2004, this foreign investment in Portuguese property equalled overall income from general tourism. While such studies in Portugal are few and far between, our neighbours in Spain have a tourist industry similar to ours. Currently, Residential Tourism accounts for 25% of foreign investment in Spain and 20% of new construction is purchased by non-residents.

### **“Low-Cost” Air Travel**

The advent of low-cost air travel will have profound implications on “Residential Tourism”. Instead of saving up for one expensive holiday a year, low-cost travel means that purchasing a second home in the Algarve becomes practical, whether for long weekends or occasional lets to help meet expenses. “Low-Cost” means frequent travellers which inevitably will prove a boon for both conventional hotel tourism as well as the residential variety.

### **Climate**

Although the Algarve is not on the Mediterranean, it does have a Mediterranean climate with mild, wet winters and dry summers. Basking in sunshine at the southernmost tip of Portugal, the Algarve enjoys perhaps the best climate in Europe. With only a short period of rainfall (it normally rains between November and March) and long hours of sunshine (the highest in Europe), the Algarve region is truly blessed.

Due to its relief and geographical position, the Algarve is influenced climatically by the European continent, North Africa, the Atlantic Ocean and the Mediterranean. The maximum temperatures in the Algarve vary, throughout the year, between 15°C and 31°C and the temperature almost never falls below zero in the winter.

Average Temperatures in the Algarve      Air temperature in Summer: 24°C to 29 °C      Air temperature in Winter: 15°C to 18°C

Seawater temperature in Summer: 21°C to 24°C

Seawater temperature in Winter: 15°C to 19 °C

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### Capital Appreciation

For over 50 years, property has proved to be the most consistent vehicle for investment, with property prices doubling every 7-10 years. Since the inception of statistical surveys, property has proven to be a great medium to long-term investment, regardless of short-term market fluctuations.

Unlike almost any other asset, you have a wide range of long-term, low-interest finance available to help purchase your property. You also have the added benefit of being able to obtain income throughout your ownership of the property.