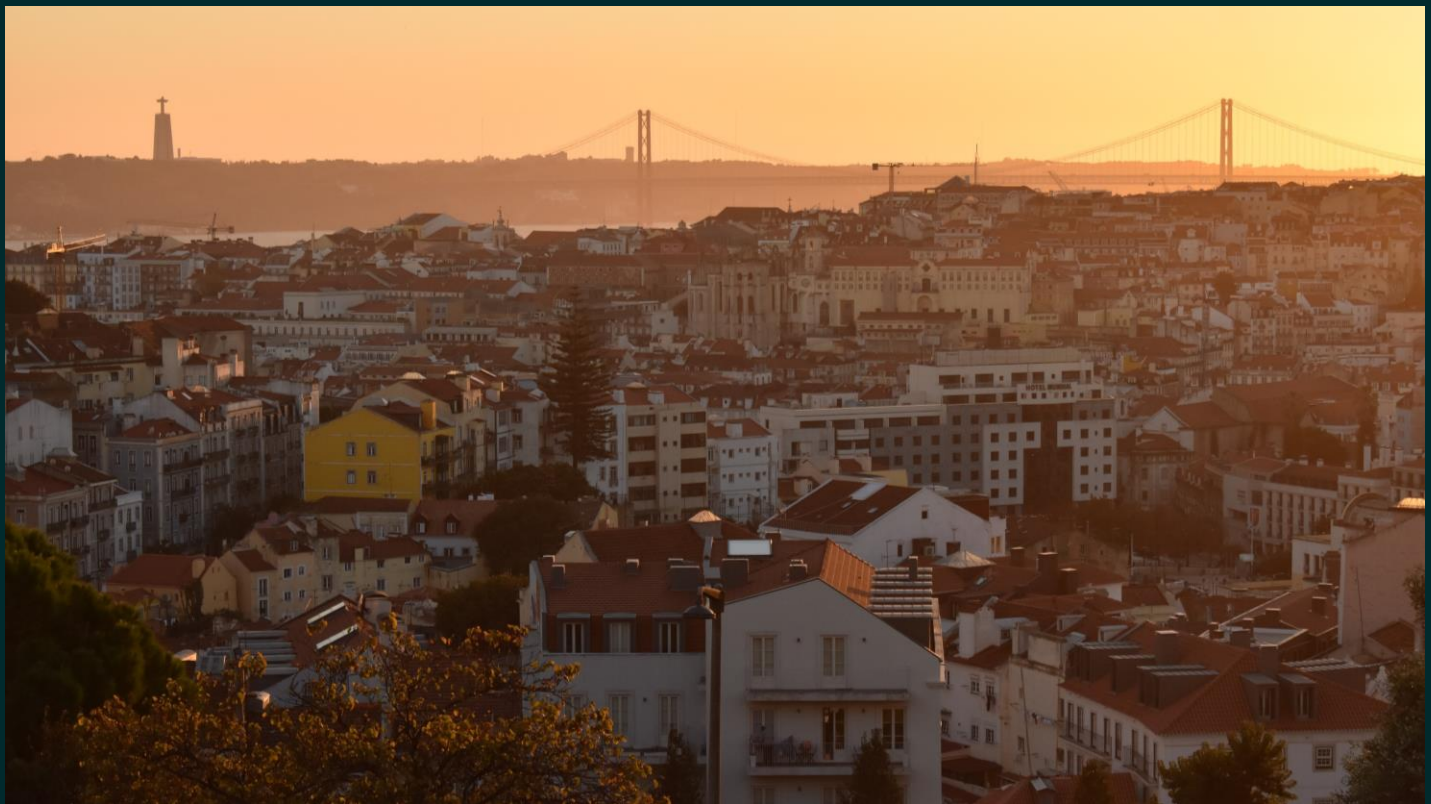


ΟΙΚΟΣ

The long game for the Portuguese residential sector

Executive Summary



April 2026

The Portuguese residential real estate sector has been at the center of attention due to the sustained and disproportionate increase in housing prices compared with income levels, which has led to the so-called “housing crisis.”

To provide a comprehensive understanding of residential affordability, CBRE aims to support investors and decision-makers by examining the first- and second-order drivers of the phenomenon, moving beyond narrow or partial analyses. Through a more comprehensive research approach, CBRE seeks to identify the self-reinforcing structural forces at play and to outline strategic avenues capable of addressing affordability challenges in a sustainable and effective manner.

Short Summary

This study provides an in-depth analysis of the various components of housing affordability and details the primary and secondary causes behind the current situation. From these, it infers an intricate and self-reinforcing causal network that can be synthesized into four main aspects

The Portuguese socioeconomic model has generated a depressed demographic profile

The Portuguese economic and governance model has chronically generated and sustained an inefficient system that: (1) Motivates, justifies, and perpetuates the expansion of the State apparatus; (2) Depresses the productive sector through regulation, taxation and regulatory framework governing property rights; (3) Offers chronic incentives for the emigration of the population of fertile and productive age, which has resulted in a chronic demographic imbalance that worsens and reinforces all the previous points.

The radical opening to immigration quick fix has material impacts on residential demand

The cumulative effect of several decades under this paradigm has encouraged the adoption of an “open-door” migration stance that; (1) Increases consumption in the economy, generating economic growth; (2) Expands the taxable base, which is necessary to reduce public debt; and (3) relieves pressure for wage increases.

However, in return, it also: (4) Keeps wages comparatively low, and; (5) Creates pressure on residential real estate.

The migratory dynamic worsens the chronic mismatch between demographics and housing sparking the upward price trend

These pressures add to existing dynamics within the Portuguese population that have created a mismatch between residential supply and demand: (1) Portuguese households have become smaller; (2) Most of the existing residential stock is old and was designed for larger families than those of today; (3) There is a century-old legal constraint on the rental market that suppresses supply and incentivizes the home-ownership. As a result: (a) There is prevalence of vacant and seasonal dwellings throughout the territory, both in rural and metro areas; (b) Homes are generally larger than what households now need.

Structural elements lock the sector into a persistent scarcity paradigm

The increase in housing demand has not been matched by an increase in supply, because: (1) Landlords prefer to have seasonal or vacant houses instead of exposure to residential let laws; (2) Construction costs are higher due to resource cost increases but also to structural elements in the construction sector and (3) The uptake in market demand has not been met by a change in the decade long restricted licensing and construction environment.

Against this backdrop, government housing policy has, pivoted from demand-led stimulus toward supply-side reforms and more active market intervention. Housing supply is expected to increase gradually and demand to remain moderate amid higher financing costs, this shift signals a clear change in policy direction bringing implications for both developers and the public sector:

DEVELOPERS The scarcity-driven supply strategy is no longer enough; Commercial success will hinge on product differentiation.

GOVERNMENT The housing situation exposes the need for structural reforms (already initiated) towards a better and fairer society.

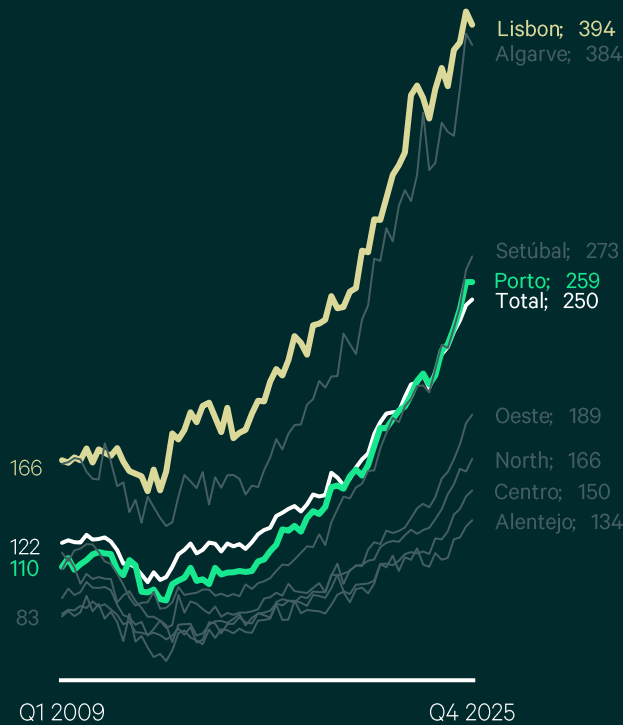
Problem statement | Housing affordability

The Portuguese residential real estate sector has been at the center of attention due to the sustained and disproportionate increase in housing prices compared with income levels, which has led to the so-called “housing crisis.”

The significant increases observed in the housing price index, (which encompasses rental, and sale prices), highlight growing home affordability challenges across European markets. In that scenario, Portugal has been the leader in house price increases, with a price index increase of 150% since 2010.

1. Evolution of residential average prices per dwelling

[Values in '000 EUR]



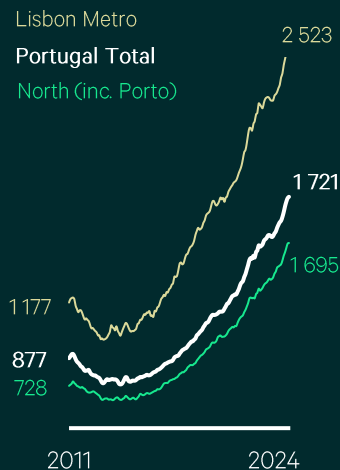
These price increases have some important nuances that are critical for properly understanding it and adequately diagnose the root causes:

1. The price increases started by late of 2015 and took place all throughout the Portuguese territory – starting with the metro areas and then progressively expanding to non-metro areas;
2. The increases happened in all metrics of housing prices, [whether closing price per dwelling, closing price per sqm, rent per sqm, bank valuation, etc.];
3. The sharp increases in prices, which account for the highest increases in the EU contrast with the fact that Portugal shows one of the highest housing availability rates in proportion to the total stock [which encompasses vacant residences and 2nd residences]. The availability rates are still high when analyzing the Lisbon and Porto metro areas;
4. The price trajectory is unaltered by opposite housing public policies promoted by different governments that tried to address the housing affordability issue;
5. The fact that the majority of the population owns the house in which it is living smoothens the impacts of the sharp price increases.

The fundamental issue of affordability is then set as the housing price increases outpace by a large margin the increases in incomes, which means it is unrelated to the families’ disposable income. To provide a comprehensive explanation of the residential affordability issue, one needs to examine in detail the first and second degree causes of this phenomenon.

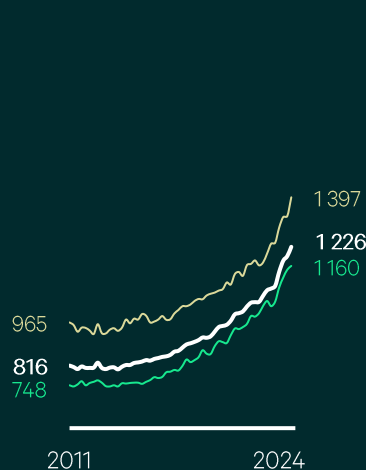
2.a. Residential bank valuation

[Median; EUR per sqm]



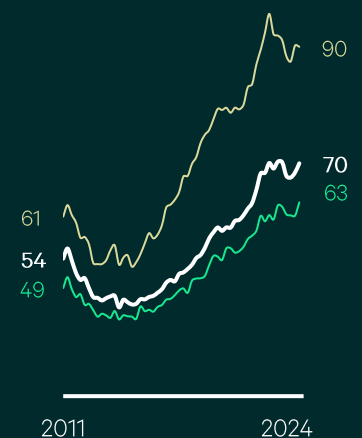
2.b Monthly average wage

[EUR/month; Net]



Price to Income ratio

[Months needed to acquire 50 sqm]
[2.a / 2.b]

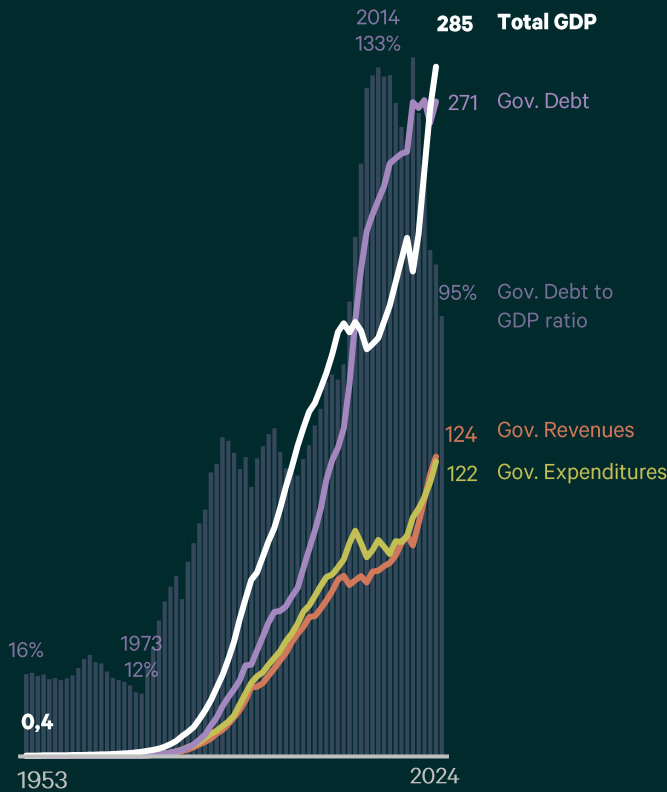


Detail | The Portuguese socioeconomic model

As history unfolded, the Portuguese economic system shifted from a closed borders economy into an opened society with freedom of inflows and outflows of merchandise, people and an openness to international corporations. This openness created several compounded impacts within the social and economic fabric of Portugal. The long-term effects of the Portuguese globalization story shaped the national socioeconomic model reality:

3. The Portuguese government finances

[Current EUR billion; % of total GDP]



1. A persistent negative trade balance, only inverted throughout the last decade due to Tourism service exports;
2. A substantially negative primary balance to which the payments of capital investments made in Portugal are the primary driver;

The overall result has been one of negative current and capital balances which has hurt the productive sector of the Portuguese economy. Portugal then became a chronically import dependent consumption-based economy.

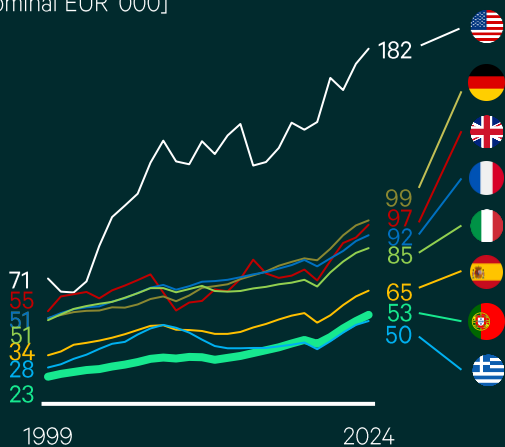
In addition, another prominent feature of the current regime is a persistent government growth through budget deficit. Under this economic model, the state is the central economic agent within the economy – which extracts nearly half of its value added through taxation and injects nearly the same amount into it through expenditures – giving the state a disproportionate power within the economy.

Moreover, the funding of the consecutive government deficits came from the increased government debt, which grew from 12% of GDP in 1973 until the staggering 133% in 2014. These debt increases were the key motivation the last IMF intervention in 2011, which prompted some reforms which partly account for the current downward trend. Despite the recent positive budgetary outcomes have been taking place, the structural dynamics of the state-centric model are still in place.

As these effects compounded for years in the economy, Portugal became locked into a state of economic stultification which yielded a comparatively low productivity of the human resource working under the existing economic fabric with few improvement prospects. Under this conditions, salaries became chronically low, when compared to other EU countries and provide an unimpeded incentive to immigration that has been taking place for decades.

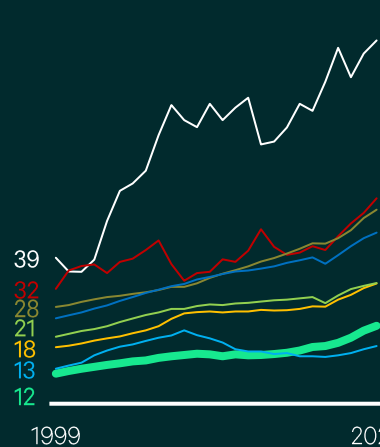
4.a. Average worker value add

[GDP in nominal EUR divided by workforce]
[Nominal EUR '000]



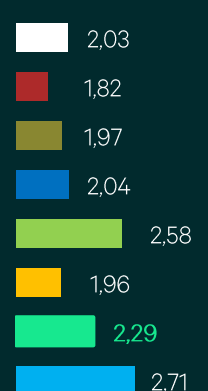
4.b. Average worker wage

[Nominal '000 EUR]



Productivity per wage

[4.a / 4.b]



Detail | Demographic imbalances

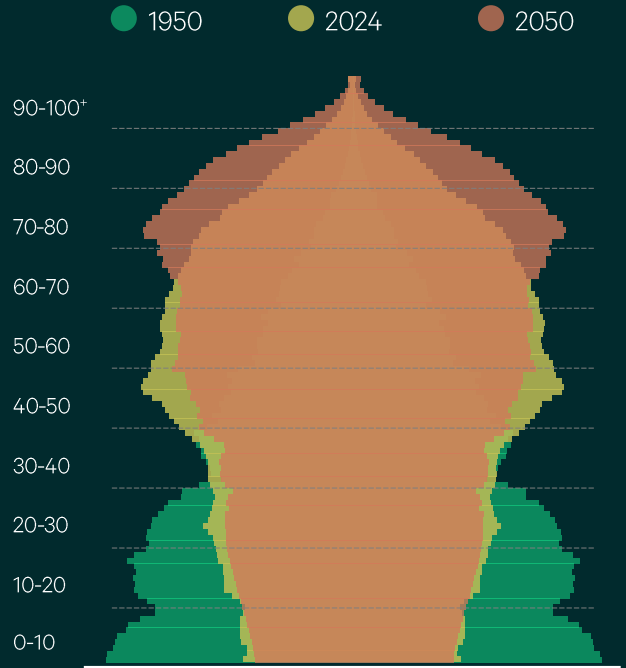
The core household demographic metrics [fertility, death, marriage and divorce rates] and the population pyramid confirms a profound, ongoing structural shift in Portuguese demography. The long-term decline in fertility rate, from 3.1 to a current level of 1.4 births per woman, ensures that the population will not naturally replace itself. This trend is visibly transforming the population structure from the broad-based pyramid of 1950 to the projected inverted structure of 2050, characterized by an expanding senior population and a contracting base of young people, which then creates a pressure in the entire social fabric to keep the current social and economic model.

Portugal capitalized on its short demographic dividend starting in the 1970s. This period was defined by a decrease in fertility and mortality rates. This minimized dependence on youth and created a working-age bulge, which drive economic growth by maximizing the ratio of producers to consumers. However, the dividend window is now exhausted, and Portugal is firmly in the demographic late stage, characterized by an inverted population pyramid and an accelerating old-age burden. Recently, immigration became the sole growth engine, especially with the significant migratory influx seen post-2016.

The consistent increases in immigration offer a mixed effect of impacts to the Portuguese economy. The fact that immigration brings increased labor force willing to work at a lower salary standard, as shown in Banco de Portugal (2024), brings additional labor force [which is cost efficient from the perspective of the receiving businesses], and additional tax base – evidenced by the consistent record setting Social Security surpluses from 2016 to date. However, as a reverse to the aforementioned benefits, it brings another set of impacts.

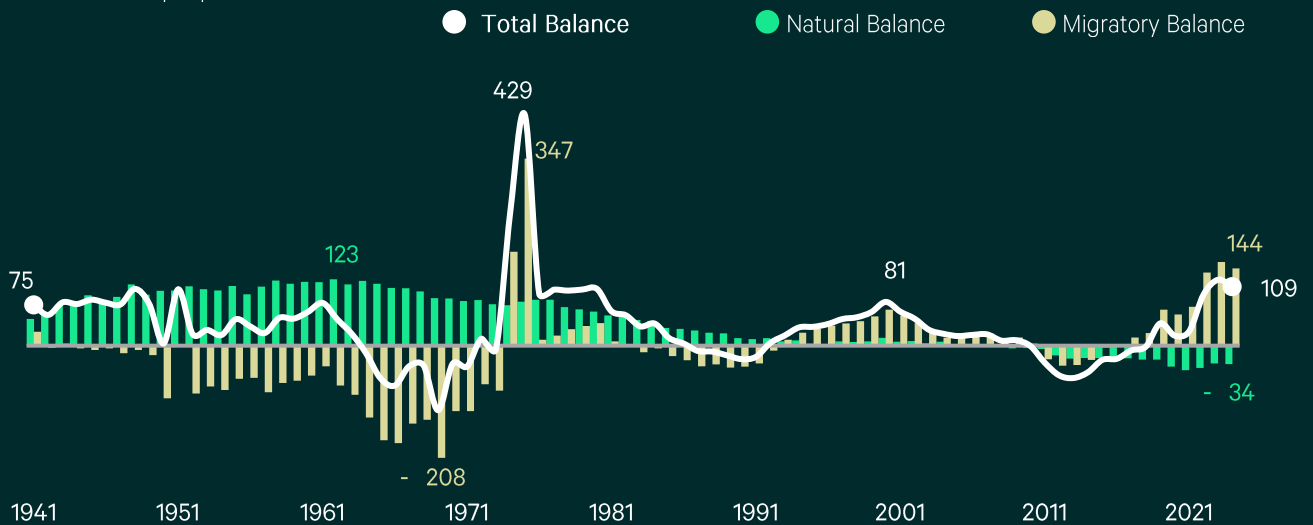
Local workers replaced by incoming low-wage workforce, which would otherwise have higher bargaining power for higher wages, lose that capability, which further locks the already low-wage economy into a prolonged state of low wages. In addition, unlike the demographic increase via births (which allows a natural adjustment of the economy), the increases in population via immigration of productive-age adults brings with it an immediate and increased need for residential units to accommodate it. Immigration then, becomes the silent force behind the increases in residential demand and the comparatively low salaries in jobs with high immigrant worker prevalence.

5. The Portuguese population pyramid
[1950 vs 2024 vs 2050]



6. The Portuguese resident population balances

[in thousands of people]

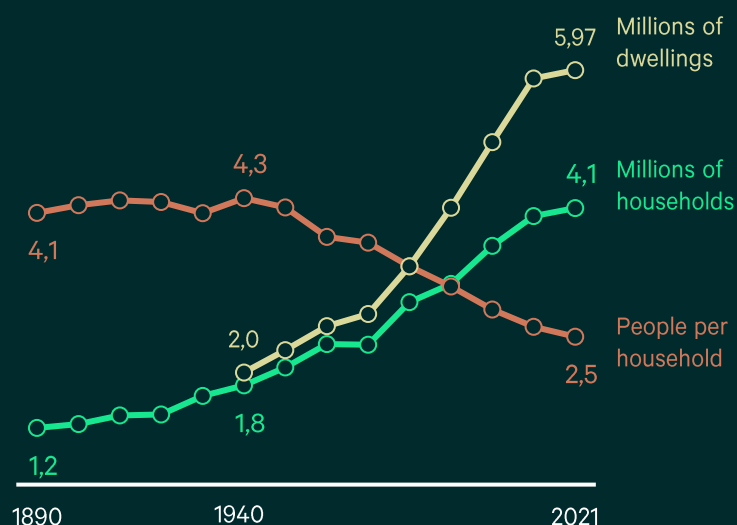


Detail | The mismatch between families and houses

The average household size has declined from 4.3 people in 1940 to 2.5 people in 2021. Concurrently, the total number of households has tripled, escalating from 1.2 million to 4.1 million over the same period. The fragmentation is confirmed by the changing composition, where single-person households are now one of the largest categories (25% in 2021).

7. Number of households, its composition and number of dwellings

[Million households; people per household; million dwellings]



However extensive the household proliferation and downsizing happened to be, the construction of new dwellings which supported that same household dynamics took place at an even higher rate, due to a series of economic incentives throughout the last decades. This dwelling sprawl achieved an astounding 5.97 Million dwellings stock at the time of the last census in 2021.

It is important to point-out that given that gap between the number of households and the number of dwellings, there is a significant prevalence of either vacant or seasonal dwellings all throughout the Portuguese territory. When benchmarking against several other OECD member states which also measure the residential vacancy and seasonality, Portugal comes out as an undisputed leader in seasonal stock and among the leaders in vacant stock – which is prevalent in both urban and rural areas.

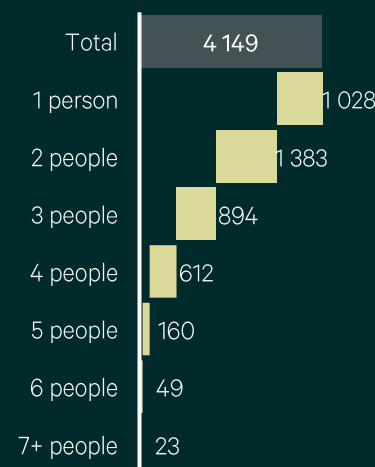
The current housing stock in Portugal reflects the demographic reality of past decades: large dwellings with many rooms and generous floor areas, designed for bigger, traditional households. However, today's families are smaller and more diverse, creating a clear mismatch between existing supply and current needs.

While the number of small households continues to rise, much of the available stock remains oversized and poorly adapted to modern living patterns.

This creates a space inefficiency because the number of houses suited to smaller households is low and therefore, given the recent demographic dynamics there is a disproportionate demand for smaller dwellings. This increases the price per sqm of those specific segments, which has repercussions in prices and absorption times of larger dwellings [even with a price discount per sqm in dwellings with larger areas]. This, in turn, yields a larger price environment due to the mismatch of dwelling areas and household sizes.

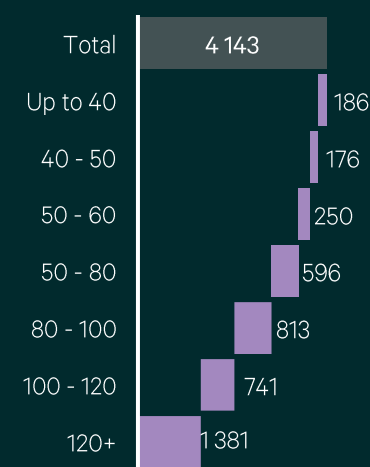
8. Households by size

[Nº of people per household]



9. Dwellings by areas

[Total area of dwelling in sqm]



In addition to these facts, the Portuguese rental market was shaped by decades of structural rigidity, originating from the 1911 "Permanent Tenure" act which was kept during Estado Novo and later amplified by the 1974 nationwide rent freeze act which decoupled rents from demand and even from inflation. The successive reforms attempted have instead institutionalized a fragmented "two-speed" market where legacy contracts remained under restrictive rules. This legislative volatility continues to drive the significant volume of low-value contracts still observed in major urban centers today.

Detail | The locked-in scarcity paradigm

There are 3 different causes for the persistent state of imbalanced demand and supply which return the increased prices paradigm

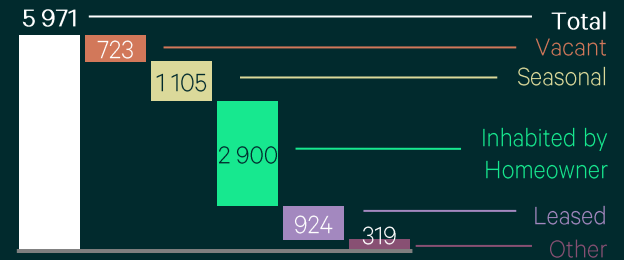
#1 Better to have a vacant house than let law exposure

Given that the historical record shows that, when politically expedient, governments opt for further protection of tenants at the expense of landlords, owners forego having an otherwise “safe income” and instead opt by having either a second homes or a vacant dwellings for future use with the housing assets they own. This phenomenon is also prevalent in key metro areas.

This restricts let supply in the market and a result, only about 6% of total stock available for let or sell, which contrasts with 31% of the built stock that is not used as primary residence.

10. Housing stock drill-down in 2021

[in '000 dwellings]



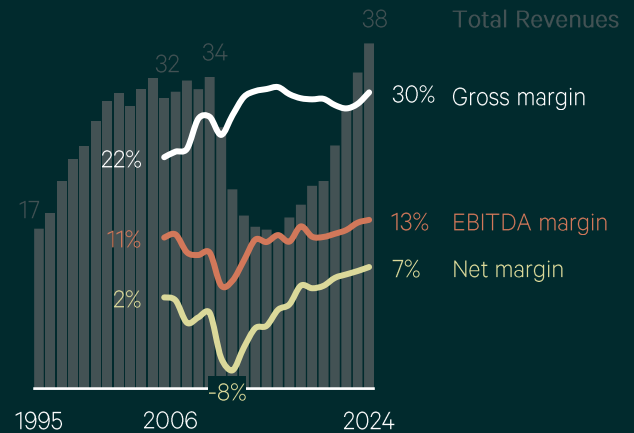
#2 Higher construction costs and margins

The contraction in construction workforce has originated a sustained increase in construction labor cost, to which recently, one must add the increased cost of materials. Both this increases result in a higher construction cost. However, there is an additional factor to it, which is a structural increase in profitability in the entire construction sector – which encompasses the small, medium and large enterprises – to unprecedented levels, which also adds on to the overall cost of construction.

When contrasting the total revenues and profitability achieved in past [when public sourcing and a new residential construction output was abundant] with today [where public sourcing and new residential units built are scarce], it would suggest that this is a structural supply-led market equilibrium, which favors the construction firms.

11. Construction sector revenues and margins

[in billion EUR and % of revenues]



#3 The low licensing / low construction environment

Over the past decade, the residential market has experienced a sharp contrast between construction output and transactions.

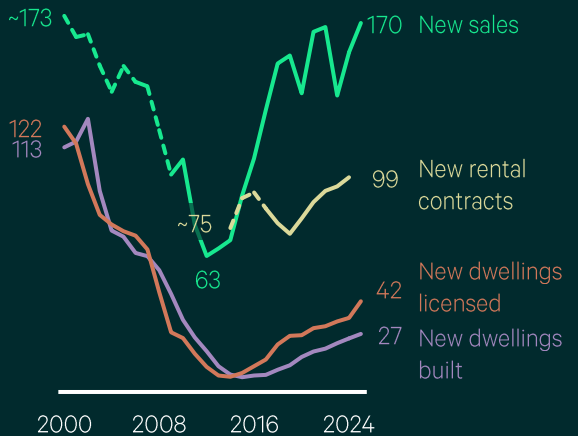
After a significant decline in new dwellings built and licensed from 2000 to 2014, recovery has been slow, with construction volumes remaining far below pre-GFC levels. In contrast, demand indicators, such as property transactions and rental contracts have surged, triggering the price increases all throughout Portugal.

The focus on new construction has been a prominent feature of public discourse, however, given:

1. The prevalent housing stock surplus throughout the territory;
2. The high construction costs (with the increased factor for rehabilitating existing buildings);
3. The need to avoid urban sprawl when city centers are either “ghost zones” or have ruins within it.

12. Key residential market volume metrics

[in '000 dwellings]



The suitable and sustainable solution for the current situation must encompass a wider approach than mere new construction.

Strategic Avenues | Implications for developers

Given the new approach to the housing crisis and the emphasis on adding supply to the market, the proposed measures intend to allow the market to function more openly. To date, there is still no statistically robust evidence on how the impacts materialize on prices, number of transactions and rental contracts.

If, as intended, these housing policy shifts bring idle supply to the market, developers face a structural change in market dynamics. The new environment will no longer bring undifferentiated gains to bland development strategies but rather reward disciplined, differentiated and execution-focused development.

1
Move beyond
scarcity-driven
paradigm

- Existing stock reduces reliance on structural undersupply as a sales driver;
- New developments must compete on intrinsic product value rather than market scarcity alone;
- Demand becomes more selective, with greater scrutiny on price-to-quality alignment.

2
Elevate product
differentiation

- Commercial performance will increasingly depend on intentional product design;
- Design quality, location, unit sizing, layouts, features and calibrated price points become decisive;
- Undifferentiated products face lower absorption velocity and higher downside risk;
- Premiums are sustained only where differentiation is clearly perceived by buyers.

3
Expand access to
more affordable
housing
opportunities

- The new paradigm creates space for well-executed and cost-efficient affordable developments;
- Projects combining efficient design, pricing discipline and execution speed can achieve scale;
- Alignment with policy objectives may improve access to land, financing or faster approvals.

Strategic Avenues | Government perspective

Given all the explanation of the intricate causal chain that is originating the status quo, the set of measures cannot be incremental (for it would yield similar results) but rather profound. CBRE proposes a bold strategy to address the compounding inefficiencies that could yield a transformational result in 4 major tactics:

1
Shift from the current state centric model into a subsidiary model

- Reduce the excessive weight (financial and regulatory) of the State on the families' and companies' spheres, allowing effective subsidiarity and responsibility of the private space;
- Enhance territorial rebalancing by fostering policies that purposefully disperse economic activity throughout the Portuguese territory.

2
Make demographics a top public-policy priority rather than a passive outcome

- Grow the Portuguese population by promoting functional family life and higher birth rates with increased household sizes (e.g. offering substantial tax cuts to large families);
- Focus on retaining young population and mitigating the incentive to emigration;
- Manage immigration to ensure structural and political stability.

3
Undertake a profound reform of the rental sector

- Overcome the "two-speed" lease market legacy by moving away from historical rent freezes toward a stable, transparent, and balanced regulatory framework for landlords and tenants;
- Enhance landlord confidence by ensuring legal certainty and swift dispute resolution, which incentivizes owners to lease assets rather than sell or maintain it vacant.

4
Promote efficiencies in the development and rehabilitation sectors

- Reduce the bureaucratic friction to accelerate housing supply by measuring licensing requests, status and lead-times and creating effective counterweights to the public [local or otherwise] authorities' inefficiencies
- Increasing swiftness of judicial dispute resolutions and promote clear and adapted urbanistic guidelines;
- Promoting vibrant centers, by allowing faster licensing for rehabilitations and more flexible regulations;
- Promoting competition in the construction sector, by offering incentives to formalize and professionalize the sector [e.g.: lowered tax for micro and small enterprises].

Reference List

Figure 1 – INE | Figure 2 – INE | Figure 3 – Banco de Portugal | Figure 4 - OECD | Figure 5 – UNDP | Figure 6 – INE | Figure 7 – INE Census Archive | Figure 8 – INE | Figure 9 – INE | Figure 10 – Central de Balanços do Banco de Portugal | Figure 11 – INE Portugal | Figure 12 – INE

Business Contacts

Francisco Horta e Costa

Managing Director

francisco.hortaecosta@cbre.com

João Duarte Silva

Investment Properties
Residencial & Industrial Director

joao.duartesilva@cbre.com

Research Team

José Maria Moutinho

Director

jose.moutinho@cbre.com

Duarte Cardoso Ferreira

Strategic Advisory
Senior Director

duarte.cardosoferreira@cbre.com

Miguel Gonçalves Ferreira

Investment Properties
Residencial Director

miguel.ferreira@cbre.com

Diana Silva

Senior Consultant

diana.silva@cbre.com

Igor Borrego

Capital Markets
Senior Director

igor.borrego@cbre.com

Andreia Costa

Planning & Urbanism
Associate Director

andreia.costa@cbre.com

João Amoedo

Analyst

joao.amoedo@cbre.com

© Copyright 2026. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.