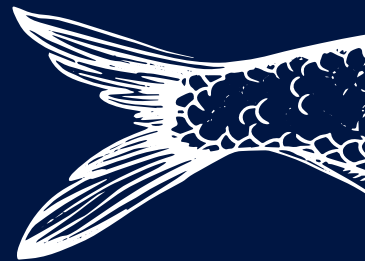


Market Report

May 2026





The Market - Our Perspective.

By Kerstin Buechner, Co-Owner & Director

As the Algarve moves through 2026, its luxury residential market no longer needs to prove itself. It has established itself as a mature, internationally recognised lifestyle market.

Portugal continues to consolidate its position as one of Europe's most compelling property markets, combining economic resilience, international appeal, and a lifestyle offering that remains difficult to replicate elsewhere in Europe.

Over the past decade, the country has evolved into a mature and increasingly sophisticated real estate market. While short-term fluctuations are inevitable in any property cycle, the underlying drivers of demand in Portugal remain firmly intact. For buyers in the luxury sector, particularly in

established markets in the Central Algarve, these dynamics are especially relevant. The combination of continued investment in world class facilities and services, the limited supply, sustained international demand and a stable economic environment continues to support both values and long-term confidence.

ECONOMIC CONTEXT: STABILITY IN A SHIFTING WORLD

Portugal's economic performance has been notably resilient in recent years, particularly when viewed against a backdrop of global uncertainty.

According to analysis prepared by Kelcie Sellers, Associate Director, World Research at Savills, the Portuguese economy is forecast

Above:
The QP Savills
Management
Team.

to grow by 2.3% in 2026 and 1.9% in 2027, following growth of approximately 1.9% in 2025. This places Portugal ahead of several larger European economies, reinforcing its reputation as a stable and attractive investment destination.

At the same time, Portugal's fiscal position has improved significantly. The country recorded a budget surplus of €1.3 billion in 2025, while public debt fell to 89.6% of GDP, its lowest level in sixteen years.

This progress has been recognised by international ratings agencies, including Fitch Ratings and Standard & Poor's, both of which have upgraded Portugal's outlook in recent months.

SUPPLY CONSTRAINTS: THE STRUCTURAL DRIVER

The defining feature of Portugal's property market remains a persistent shortage of housing.

According to Fitch Ratings, this imbalance is expected to continue driving price growth in the short to medium term across the markets. The agency forecasts that average house prices could rise by a further 15% in 2026, following the strong growth recorded in 2025. We hasten to add that this is over the Portuguese housing market as a whole.

In their March 2026 outlook, Fitch notes there is little expected of a short-term correction: "We do not foresee a reversal in house prices in the short term due to limited supply and strong demand from both domestic and international investors."

Construction activity has increased, but remains below historical levels, particularly in prime locations where planning restrictions and land scarcity limit new development.

These constraints are particularly evident in lifestyle markets such as the Algarve, where environmental protections and low-density planning policies restrict expansion.

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By Q3 2025, sales had already exceeded the same period in 2024 by 14%, extending a multi-year trend.
Kelcie Sellers
- Associate Director, World Research at Savills

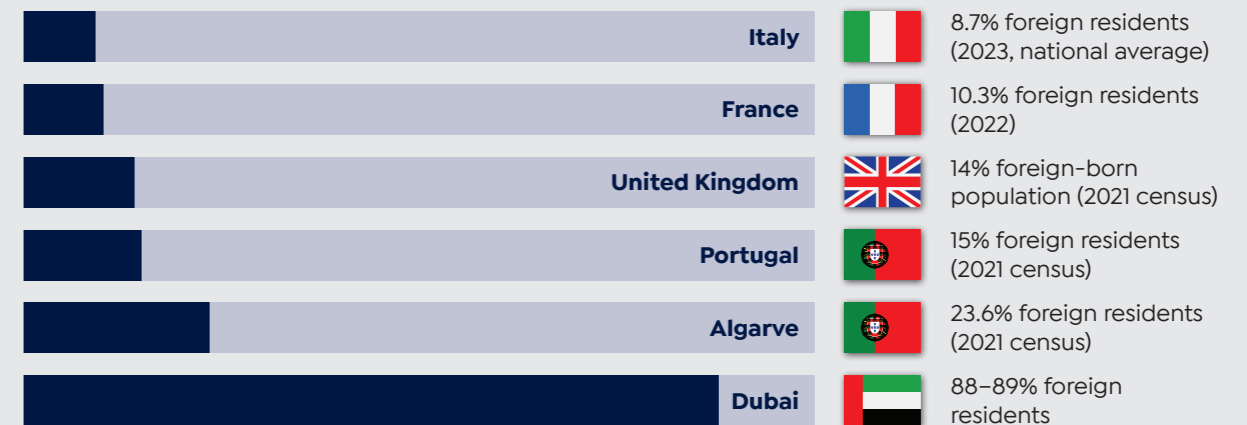
POPULATION GROWTH & DEMOGRAPHICS (ALGARVE)

Algarve population (official census data):

- 2001: 395,000
- 2011: 451,000
- 2021: 467,000

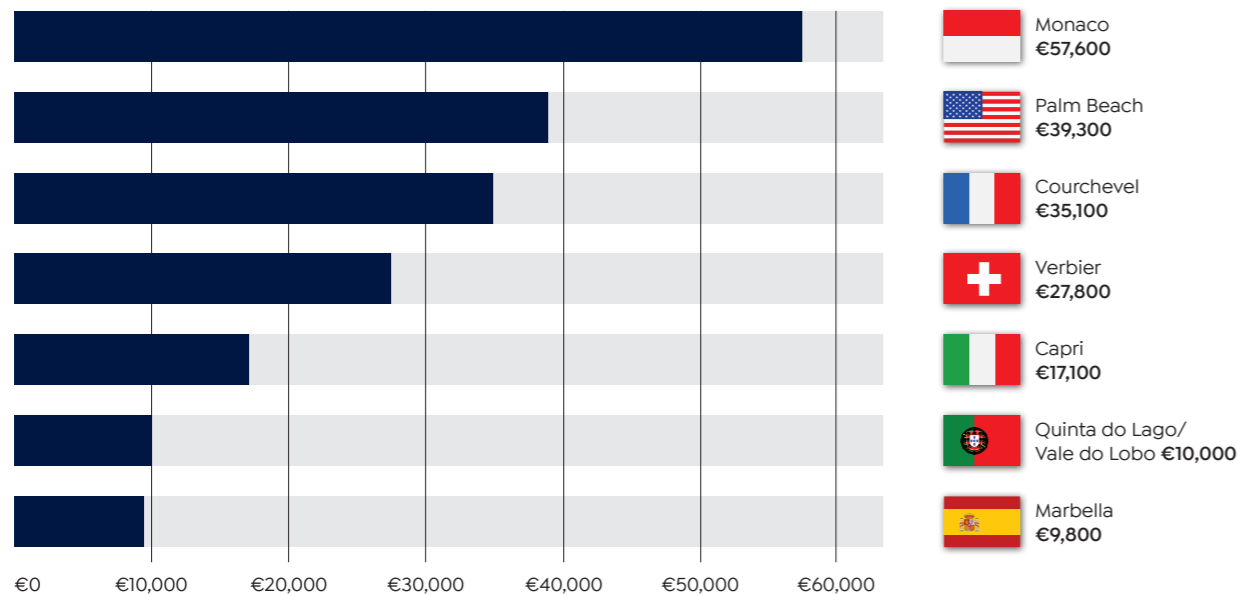
That's roughly +18% growth over 20 years.

By 2021, 23.6% of Algarve residents were foreign nationals:



This proves the Algarve is structurally international, not just a holiday market. In peak summer, the population effectively increases by 1 million people due to tourism.

PRIME PROPERTY PRICE COMPARISON



Average prime price per square metre (€)

PROPERTY VALUES

Portugal’s residential property market has continued to deliver strong growth, underpinned by a persistent imbalance between supply and demand. According to national bank valuation data, average property prices increased by approximately 16–18% in 2025, with median values rising from €1,965 per square metre in August to €2,111 per square metre by the third quarter, marking 21 consecutive months of growth.

Regional variation remains pronounced across Portugal, with Greater Lisbon recording average values of around €3,567 per square metre, while the Algarve continues to follow closely with approximately €3,467 per square metre in 2025, reflecting annual growth of 9.3%. When broken down into regions in the Algarve, Vilamoura and Lagos transactions have exceeded €6,000 per square metre - possibly explained by new higher quality properties being built and sold.

At the very top end of the market, average villa prices in Quinta do Lago and Vale do Lobo are now transacting between €8,000 and €12,000 per square metre, with the finest properties exceeding €15,000 per square metre. The latest generation of homes being developed within these resorts is

comparable with the very best internationally, both in terms of design and specification. A small number of exceptional “super villas” are currently available at prices well in excess of €20 million, and we are very proud to be entrusted with connecting these exceptional homes with the right buyers.

However, as pricing within these established resorts reaches levels that are beyond the reach of many wealthy buyers, demand is increasingly being pushed into the surrounding areas. This has led to substantial value growth in comparable properties outside the resorts, as buyers seek proximity to facilities while balancing value. This ripple effect is now firmly supporting price growth across the wider central Algarve, further reinforcing the region’s overall strength.

While these price levels may feel challenging for many in the Algarve, we firmly maintain there remains significant potential for continued growth. When compared with established prime markets such as Miami, the South of France, or Alpine destinations like Verbier and Courchevel, property values in the Algarve, even at the top end, remain relatively low. Importantly, many of the buyers active in these markets are the same international individuals, already accustomed to significantly higher pricing levels.

A DIVERSIFYING BUYER BASE

International demand remains one of the defining characteristics of the Portuguese property market. While there has been a noticeable increase in Portuguese buyers in the prime market, foreign purchasers continue to account for a significant proportion of transactions. In the Algarve, they represent over 30% of all residential purchases, rising to more than 80% in the luxury segment.

Traditionally, buyers have come from:

- The United Kingdom
- Ireland
- Germany
- The Netherlands
- Scandinavia

However, recent years have seen a clear diversification of demand. Americans, in particular, have become increasingly visible in the market.

While years ago many Europeans fled to America in search of opportunity and a better life, for some Americans today a move to Portugal carries a subtle echo of that same instinct. Rising healthcare costs in the United States, increasing political polarisation, and a growing desire for a calmer, more cohesive social environment are prompting many to look abroad. Rather than escaping hardship it is about stepping away from systemic pressures and choosing a lifestyle that feels more balanced, secure, and aligned with personal values.

The increase in American buyers is underpinned by a rapidly growing resident base, which has expanded to approximately 20,000 by 2024 and continues to accelerate into 2025, highlighting Portugal’s increasing appeal as a preferred lifestyle destination.

While the much-predicted mass American migration to Portugal has not fully materialised, there has, nonetheless, been a clear and notable increase in the number of Americans relocating. Lisbon and Porto remain their primary hubs, while in the Algarve there is a distinct concentration in the western region, with Lagos proving particularly popular. In the central Algarve, their presence in the luxury market remains relatively limited for now; however, a growing number are arriving in search of long-term rental properties before

committing to a purchase, and in doing so, are already setting new benchmarks, with rental levels reaching figures previously unseen in Portugal.

This broadening of the buyer base enhances the resilience of the market by reducing reliance on any single nationality.

Not only is Portugal attracting an increasingly international buyer base, but motivations for purchasing property are also evolving. Historically, over 80% of our clients were acquiring homes for holiday use. Today, that balance has shifted significantly, with approximately half of buyers purchasing with the intention of spending extended periods in Portugal or relocating entirely with their families.

This change is largely driven by lifestyle considerations. Portugal continues to offer an exceptional quality of life, but equally important is the growing flexibility of modern working patterns. Increasingly, professionals are able to work remotely or run their own businesses from home, making full or part-time relocation both practical and appealing.

“NHR 2.0” or the IFICI regime continues to attract these internationally mobile professionals. Designed to focus on highly qualified individuals, it offers a competitive 20% flat tax rate on eligible income for up to 10 years, alongside exemptions on certain foreign income streams. While more targeted than its predecessor, the scheme reinforces Portugal’s commitment to attracting global talent and remains an important factor supporting ongoing international demand.

Interestingly, a growing number of enquiries are now coming from buyers who have never previously visited the region. Instead, demand is being driven by strong word-of-mouth recommendations, with Portugal, and the Algarve in particular increasingly seen as a safe, welcoming and globally accessible destination for family life and gatherings.

The region’s appeal lies in its combination of climate, safety, infrastructure and lifestyle, supported by international schools, excellent healthcare facilities, year-round connectivity, and favourable tax regimes.

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The Algarve has evolved from a holiday and retirement destination into a year-round place to live, work and raise families. This shift is reflected in our current buyers, with many young families buying to relocate and make Portugal their home.
Amy Kerins – Director of Marketing QP Savills

REMOTE WORK/DIGITAL NOMAD RANKING

Portugal regularly ranks in the Top 5–10 globally for remote working destinations (Savills/Nomad Index). Particularly strong in Central Algarve.



A curated collection of QP Savills and Savills market intelligence publications.

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Success in property isn't created through trial and error, it comes from understanding the market and positioning correctly from the very start.
 Monica Mendes
 – Chief Revenue Officer QP Savills

MICHELIN-STARRED RESTAURANTS BY MARKET

Portugal now has an impressive 53 Michelin-starred restaurants (2026 guide). Small in absolute terms, but taking the size of the country and the population into consideration, this is impressive.

Much like its property market, Portugal's culinary scene is still evolving - offering quality, authenticity and increasing international recognition, but without the pricing levels or saturation seen in more established European destinations. Please refer to our directory starting on page 127.

INTERNATIONAL SCHOOLS

The Algarve has a high concentration of international schools per capita. Particularly strong in Central Algarve.

SUNSHINE/CLIMATE

The Algarve has 300 days of sunshine per year and 2,700–3,000 hours of sunshine annually. This is one of the highest in Europe.

SAFETY

Portugal consistently ranks in the Top 10 safest countries in the world (Global Peace Index). Usually around 6th–7th globally.

US INVESTMENT IN PORTUGAL SKY-ROCKETS 149% SINCE 2019

The United States has become the third largest source of foreign direct investment (FDI) in Portugal, surpassing China and the United Kingdom. Growth exceeded 149% in seven years.

INSTITUTIONAL INVESTMENT

Portugal's real estate market is seeing a clear rise in institutional investment, reflecting growing international confidence and a shift towards more professional and regulated structures.

Data from the APFIPP (Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios) shows that assets held by real estate funds reached a record €28.9 billion in 2025, up 19.3% year-on-year. Much of this growth has been driven by the conversion of previously unregulated property holdings into structured investment vehicles, including REIT-style companies.

In 2025 alone, 82 new real estate investment companies were created, accounting for approximately €3.4 billion in assets under management.

While institutional capital is not directly active in the ultra-prime residential market, its influence is increasingly visible. There is already early evidence of this trend filtering into the private buyer market. Several investors are now entering Portugal via specialist real estate funds linked to residency structures, highlighting how new investment frameworks are creating additional pathways into the market.

Together, these trends point to a more mature, transparent and internationally aligned property market.



Above: Exquisite lakefront villa in Quinta do Lago - Ref: 83083QP.

PRIME CENTRAL ALGARVE MARKET FOCUS

Market activity remains robust, particularly in the core price bands between €2 million and €8 million, with solid demand extending into the early €10 million range and occasional transactions in the high teens. Properties in prime locations continue to attract strong interest, with correctly priced homes often moving to offer within days, maintaining momentum and a clear sense of urgency among buyers.

Notably, this level of activity has persisted through what is traditionally considered the quieter winter period. Despite unusually poor weather at the start of 2026, transactional volumes have remained high, with over €80 million of agreed sales so far this year/at the time of going to print (mid-April). This represents a 142% increase versus the same period last year. This sustained pace of activity suggests that the market remains buoyant, even against a backdrop of broader political uncertainty.

Lifestyle factors continue to play an important role in supporting demand. Investment in golf facilities has elevated both pricing and quality, increasingly attracting a more affluent international clientele. At the same time, complementary lifestyle segments, such as equestrian property around Vilamoura, are gaining traction, further broadening the Algarve's appeal within the luxury market.

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We've entered 2026 with our strongest and most experienced sales team yet, building on a record end to 2025 and a very strong start to the year. We greatly value the opportunity to meet clients in their homes, where we can offer thoughtful advice, current market insights, and accurate valuations and so empowering them to make informed and confident decisions.
 Iain Begg –
 Sales Director



OUR MARKET OUTLOOK

Looking ahead, the local property market is expected to remain strong. While forecasts from Savills suggest prime residential values will rise by approximately 4% to 5.9% in 2026, the key dynamic remains unchanged: high-quality stock, particularly in prime locations, continues to be in short supply.

For buyers, this means that opportunities still exist, but require decisiveness. The most desirable properties continue to attract strong interest and are often transacted quickly. Increasingly, buyers are having to look beyond their initial search parameters, whether in terms of location, style or budget in order to secure the right property.

For sellers, current market conditions remain favourable. With demand continuing to outweigh supply across many segments, particularly within the Golden Triangle and its surrounding areas, well-positioned properties are achieving strong results. However, pricing sensitivity is becoming more evident, and accurate positioning is key. Sellers should resist the temptation to be guided by headline transactions alone; the fact that some properties achieve exceptional prices does not automatically translate across the wider market. Properties brought to market with a clear understanding of their relative value, presentation and positioning are those that ultimately perform best.

More broadly, the market is evolving. Buyers are more informed, more international and more lifestyle-driven than ever before. As a result, the role of professional advice, grounded in both data and local knowledge, is becoming increasingly important.

In this environment, the ability to interpret the market, rather than simply observe it, will be what defines successful transactions in the year ahead.



Above:
*Remarkable villa
with panoramic
views near Santa
Bárbara - Ref:
98399QP.*





QUINTA DO LAGO



VALE DO LOBO



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