

OVERSEAS

Arthur Martins spent 60 years as the projectionist at the Odeon cinema in Lisbon before it closed in 1982. For many of these years, he says, it was the city's finest picture house, attracting Lisbon's great and good.

Through bloodshot eyes — a legacy of a life spent straining at celluloid — he looks up to a small balcony of seating just below the ceiling at the front of the auditorium. "That was where Salazar used to sit," he gestures. Portugal's fascist dictator, António de Oliveira Salazar, may have ruled the country with an iron fist, until he was deposed in 1974, but he remained keen on the movies.

The cinema is now a building site and Martins, its former janitor, is keeping the keys for Odeon Capital, the developer that has taken the cinema's name and is turning the building into a restaurant and nine luxury flats.

Portugal's capital city is bursting with renovation projects similar to the Odeon development. Throughout the city grand old buildings are being converted into smart modern apartments as foreign buyers warm to Lisbon's top-end property market. Prime prices in central Lisbon rose by 30 per cent in the three years to May 2016, according to Savills, outstripping the city's wider market, which rose by 14 per cent in the three years to January 2017.

The city offers low living costs, a lively historic centre and competitive property prices, compared with other European capitals. The best houses sell for €7,000 a sq m (£6,111 a sq m), according to Roman Carel, the founder of Athena Advisers, an international estate agency, putting the city on a par with Madrid (£6,700) and making it far cheaper than Paris (£13,600).

Central Lisbon is preserved by tight planning laws that limit new-build developments in favour of renovations. Roughly 90 per cent of the development projects in the city are refurbishments, says José Salazar Rodrigues, one of the city's leading commercial agents.

The most popular quarter for British — and other European — buyers is Chiado. This central neighbourhood is "Lisbon's Mayfair", according to Charles Roberts, the managing partner of Fine & Country, Lisbon. Price estimates by Roberts, a Briton who has sold houses in the city for 25 years, are more modest than those of Carel. The top price for apartments in Chiado is €6,000 a sq m, he says; most go for closer to €5,000. The surrounding areas



A tram trundles across Rua Augusta, which leads to the triumphal arch and the Praça do Comercio

Downtown Lisbon is going upmarket

The refurbishment of Portugal's historic capital city is attracting second-home investors, reports Hugo Cox

— Bairro Alto, Principe Real, Alfama and Baixa — offer similar high-quality homes, but at lower prices, he says.

In its Santa Helena development in Alfama, Athena Advisers has a range of one to five-bedroom apartments for sale, from €650,000 to €2.85 million. The development's position at the top of one of Lisbon's seven hills gives excellent views over the

Tagus river and several apartments come with a garden and a pool.

If you want to be at the heart of the action, the same agency has one and two-bedroom apartments in Chiado for between €700,000 and €1.2 million — but you will have to wait until next year to move in. Fine & Country has a selection of properties, mainly in the historic centre, starting with one-bedroom apartments from €400,000. An added draw for buyers is the city's booming tourist industry, which has increased demand for short-term lets. Carel reckons these are a fifth more lucrative than long-term rentals. More than three

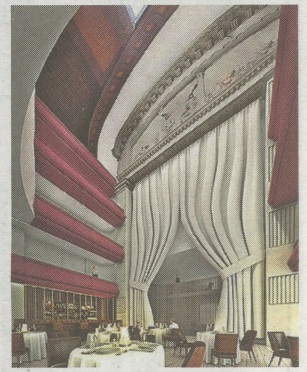


This three-bedroom apartment in Baixa, Lisbon, is on sale for €900,000. Left: the Duques de Bragança development in Chiado, where apartments start at €700,000 for one bedroom. Both are through Fine & Country

quarters of buyers who rent their apartments in Lisbon use Airbnb, says Rodrigues.

A 2016 report by Airdna, a research company, estimated that there were more than 10,000 Airbnb listings in the city by May 2016, a 15 per cent rise on the previous year. The same report estimated that the best two-bedroom flats in Chiado rent for €40,000 a year.

Roberts is sceptical about chasing large rental incomes from a holiday flat in the city, however. The quality of property managers varies — he recommends Lisbonlovers.com and Catarina Nielsen & Co — and there are many other costs, such as management



Odeon Capital's vision for a restaurant in the converted Odeon cinema building

fees, replacing furniture, utility bills, local council taxes and the national tax on rental income, which is 28 per cent for foreigners. It is more realistic, he says, to think of rental income as paying for the property's upkeep.

Buyers need to think about sales taxes, land registry and stamp duty, which come to about 7.2 per cent on top of the price of a property, and an additional 0.3 per cent a year is payable on the rateable value of the home — typically just over half of its market value.

For those with good incomes, local mortgages are straightforward to obtain, says Lloyd Hughes, of Athena Advisers, with banks marketing mortgages of up to 70 per cent loan to value.

Yet while Portugal's banks may welcome British borrowers, British borrowers may want to look twice at Portuguese banks. The country has recovered from the worst of the eurozone crisis — it was one of the four troubled and indebted "PIGS" countries, with Ireland, Greece and Spain — but it is not out of the woods. Apart from warning about the fragility of the country's banks, a report published this year by the Organisation for Economic Co-operation and Development predicted GDP growth of 1.3 per cent over the next two years. This is unspectacular in light of Portugal's hefty public debt; roughly 130 per cent of GDP.

British buyers should worry most about the currency risk. The future of the euro is in the balance as the French presidential elections approach. Marine Le Pen, the favourite for the first round at the time of going to press, has pledged to end France's involvement in the euro. However, the bookies expect her to lose the second-round vote; even if she wins, this policy may fall foul of the French parliament. Yet election underdogs are having a good time of it lately.

If the euro collapses and Portugal returns to the escudo, the value of the currency will fall sharply against the pound. Buyers should tread carefully.