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Invest in the Algarve

Property investors targeting the Algarve

A 2026 investor-side overlay for the Algarve: the gap between brochure yields and net reality, the regulatory tail risk, and the micro-markets where the math actually works.

TL;DR

- Brochure gross yields of 7–10% on Algarve AL collapse to **net 2–4% on cost-in** once management, taxes, vacancy and the full cost stack are loaded. Always model net, never gross.
- The 2026 fiscal package (**Lei 9-A/2026, de 6 de março**) introduces a flat **7.5% IMT** on non-resident residential acquisitions — *not yet operational* (decreto-lei must be published, expected mid-2026), and with **five carve-outs** including a 36-month moderate-rent lease.
- AL is **transferable, permanent, CEAL-free** since **DL 76/2024 (1 Nov 2024)** — but municipal containment is now the live risk, and **EU Reg 2024/1028** forces platform delisting of unlicensed stock from **20 May 2026**.

Key 2026 stat

The brochure: "Algarve AL yields **7–10% gross**." The reality after a 22% management fee, channel commissions, cleaning, utilities, IMI, AL insurance, a realistic 60% blended occupancy, and the **50%-inclusion progressive CGT** on eventual sale: **2.0–3.5% net on cost-in**. The gap between those two numbers is the entire subject of this guide.

Introduction

The Algarve has been a foreign-buyer market for sixty years. The investment case is straightforward on paper — sun, mature tourism, EU rule of law, English-speaking service economy, regional median **€3,139/m²** in 2025 INE data, +16.8% YoY nationally. The reality is more textured, especially for the investor who builds a spreadsheet honestly.

This guide is the **investor-side overlay**. For Algarve geography — which sub-region suits which buyer, what each town looks like in daily life, what €600k actually buys in Lagos vs Tavira — read [where-to-buy-in-the-algarve](#). This guide assumes you already roughly know the map and focuses on what investors specifically need: yield math, the post-DL-76/2024 AL framework, the corrected 2026 tax stack, financing reality, sub-region investment overlays, and the recurring ways foreign investors lose money here.

Read it skeptically. Verify any number against your own case before you sign.

The Algarve investment landscape, 2026

Three threads frame everything below.

Price reality. INE median (full-year 2025, published April 2026) is **€3,139/m² for the Algarve region** — the highest of any mainland region. Idealista's asking-price index runs higher and noisier (Algarve asking averages around €3,800/m², up roughly 9% YoY) because it measures supply listings rather than closed transactions. Use INE for benchmarks; treat idealista snapshots as the upper-asking band. The **median** Algarve transaction closes around €360,000; the **mean** is higher, dragged up by the Golden Triangle.

Foreign-buyer share is down, not up. The often-cited "one in three buyers is foreign" is the 2023 peak. INE's 2025 figures show **27.6% foreign-buyer share nationally**, with foreigners paying a ~60% premium per dwelling. In the Algarve the share is far higher in coastal sub-markets (60–85% in the Golden Triangle, central Lagos, Carvoeiro) and far lower in working towns (Faro, Loulé interior, Olhão back-streets). The trend is *down* from 2023; price the demand pool accordingly.

Tourism: the demand engine. 2025 closed with **€1.8 billion in regional tourism revenue** (+6.5% YoY), 5.3 million guests, ADR €134, RevPAR €78.5. Crucially, **only 38.1% of guests now concentrate in summer high season** — the lowest figure on record. Shoulder season (April–June, September–October) is real revenue for AL operators with proper pricing, not lifestyle filler.

Six investment strategies — and what they actually return

There is no single "Algarve play". Six strategies coexist with very different risk–return profiles.

Strategy	Gross yield	Net on cost-in	Best zones	Main risk
Long-term residential	4.0–5.8%	2.5–3.5%	Faro, Loulé town, Portimão, Olhão	NRAU tenancy law (12–24 month evictions)
AL (short-term)	6.5–10.5%	2.5–4.5%	Albufeira, central Lagos, Carvoeiro, Vilamoura, Quarteira	Municipal containment + EU Reg 2024/1028 enforcement
Renovation flip	20–35% margin (or zero)	n/a	Faro old town, Olhão centre, Tavira, Silves, Lagos Vila	Contractor scarcity, heritage approvals, exit liquidity
Off-plan / new-build	n/a	Capital growth only during build	Vilamoura, Almancil, Lagos waterfront, Quinta do Lago infill	Developer insolvency, 18–36 month wait
Land + build	n/a	2–4 year horizon	Loulé interior, Lagos hinterland, west coast	PDM revisions, connections, labour
Commercial / agritourism	5–9% net	5–9% net	Inland Monchique, São Brás; city-centre Faro/Loulé	Operator competence, niche liquidity

The first two are 90% of what investors actually do. The rest are real but specialist.

Sub-region investment overlay

Read this alongside [where-to-buy-in-the-algarve](#) for the lifestyle and geography. The lens here is purely investment: yield, regulatory exposure, capital-growth realism.

Lagos

- **AL gross:** 6.5–9%. **Long-term gross:** 4.0–4.8%.
- **Regulatory:** "conflict-zone" framework signalled by the município; containment plausible 2026–27.
- **Verdict:** still capital growth in the Meia Praia / Porto de Mós arc; AL premium real but the market is already crowded. Differentiation (design, photography, dynamic pricing) matters more here than in 2022.

Carvoeiro / Lagoa

- **AL gross:** 6–8%. **Long-term gross:** 4.5–5.5%.
- **Regulatory:** Lagoa permissive, no active containment.
- **Verdict:** boring in the best sense. Predictable Anglo expat demand, mature liquidity, light regulation. Low ceiling, high floor.

Albufeira / Olhos de Água

- **AL gross:** 7–10% top decile, but management costs and wear-and-tear are highest in the Algarve. **Long-term gross:** ~4% (oversupply).
- **Regulatory:** *first in line* for stricter municipal AL rules — actively studying conflict zones.
- **Verdict:** still cashflows well, but it carries the highest regulatory tail risk in the Algarve. Buy with that priced in, not assumed away.

Vilamoura (Loulé)

- **AL gross:** 6–8%. **Long-term gross:** 4.0–4.7%.
- **Regulatory:** containment possible in dense urban cores. HOA rules are the de facto regulator already (some complexes restrict AL by deed).
- **Verdict:** premium new-build pipeline keeps prices firm. Watch HOA inflation in older complexes — €4,000+/year condominio is normal, with extraordinary capital calls real.

Quinta do Lago / Vale do Lobo (Almancil)

- **AL gross:** 3.5–5.5%. Prices have outrun the rents.
- **Verdict:** trophy asset, not yield asset. Buy here for appreciation, lifestyle, and currency hedge. Quinta do Lago shows a recent idealista snapshot of ~€11,170/m² (+34.6% YoY) — note that this is

a thin segment where averages move wildly on small transaction counts; treat as indicative, not as "the price". Liquidity: 6–18 months to sell at asking.

Loulé (town)

- **AL gross:** small market. **Long-term gross:** 5.0–6.0% — the best in the Algarve for buy-and-hold residential.
- **Verdict:** the contrarian pick. Low glamour, high yield discipline. Year-round Portuguese demand.

Quarteira

- **AL gross:** 7–9%. **Long-term gross:** 4.8–5.5%.
- **Verdict:** unsexy but functional. Volume-driven AL works. Less premium pricing means less downside if AL tightens further.

Faro

- **AL gross:** 5–7%. **Long-term gross:** 5.5–6.5%.
- **Regulatory:** no municipal restrictions yet.
- **Verdict:** the Algarve's most undervalued residential market. Airport, university (~9,000 students), hospital, regional administration — year-round non-tourism demand. Strong long-term play. Old-town renovation premium for boutique AL.

Olhão

- **AL gross:** 7–9% on well-located old-town renovations. **Long-term gross:** 5.0–5.8%.
- **Verdict:** early-to-mid gentrification. Renovation flips work *if* you have a contractor. The historic core will eventually attract containment — get in before that, not after.

Tavira

- **AL gross:** 6–8%. **Long-term gross:** 4.5–5.5%.
- **Verdict:** lifestyle-led, capital growth modest, downside protected. Best for "retiree-with-rental" overlap profiles.

West coast (Sagres / Vila do Bispo / Aljezur) and inland

- **AL gross:** 5–8% (short summer season); inland thinner.
- **Verdict:** lifestyle premium, not yield. Land scarcity and strict urban-perimeter rules limit downside; demand pool is small. Inland (Monchique, Silves, São Brás, Alcoutim) is a land-banking or agritourism play, not a yield strategy.

Yield math: worked examples

All numbers are realistic 2026 mid-cases. Actual results vary $\pm 25\%$. CGT modelled at 14–24% effective (50% inclusion at progressive IRS rates per §12 of CANONICAL_FACTS — the flat 28% on

100% of gain was eliminated for non-residents post-2023).

Example A — €350k 2-bed apartment in Albufeira, AL

Item	Amount
Purchase price	€350,000
IMT — current progressive scale, non-HPP (note: 7.5% flat regime not yet operational)	€18,500
Stamp duty (0.8%)	€2,800
Legal + due diligence	€3,000
Furniture + AL setup (RNAL, fire kit, photography)	€18,000
Total cost in	€392,300
Gross AL revenue (occupancy 60%, ADR €130 blended)	€28,500
Channel commissions (Airbnb/Booking ~14% blended)	-€4,000
Cleaning	-€4,800
Utilities, internet, condominio	-€3,400
Maintenance reserve (4% of revenue)	-€1,140
AL management (20% of net of channel)	-€4,900
AL insurance + IMI + admin	-€1,250
Net before tax	€9,010
IRS (28% flat on net, or simplified Cat. B — modelled at ~25% effective)	-€2,250
Net after tax	€6,760
Net yield on cost-in	1.72%
Gross yield on purchase price	8.1%

Reading: a "8% Algarve AL apartment" delivers under 2% net once you account honestly. The brochure yield rarely survives the cost stack.

If the 7.5% non-resident IMT becomes operational before deed (and no carve-out applies), IMT on this transaction rises to **€26,250** — knocking another ~€800/year off the effective return when amortised.

Example B — €600k villa in Lagos, AL

Item	Amount
Purchase price	€600,000
IMT (progressive scale, non-HPP) + Stamp Duty	€40,800
Legal + due diligence	€4,500
Furniture + AL setup	€30,000
Total cost in	€675,300
Gross AL revenue (3-bed villa + pool, 60% occupancy, ADR €280)	€61,300
Channel commissions (~14%)	-€8,600
Cleaning, pool, garden	-€10,800
Utilities, internet	-€3,800
Maintenance reserve (5%)	-€3,100
AL management (22%)	-€11,600
Insurance + IMI	-€2,600
Net before tax	€20,800
IRS (~25% effective)	-€5,200
Net after tax	€15,600
Net yield on cost-in	2.31%
Gross yield on purchase price	10.2%

The Lagos villa illustrates why AL "looks better" at higher price points — gross percentages are similar but absolute net cashflow is larger, and capital appreciation contributes more. Add 4–5% annual appreciation and total IRR climbs to ~6–7% over a 5-year hold.

If 7.5% non-resident IMT becomes operational: IMT rises to **€45,000** — and unless the buyer takes the 36-month moderate-rent carve-out (\leq €2,300/month, incompatible with AL), the higher IMT is permanent.

Example C — €280k apartment in Faro, long-term let

Item	Amount
Purchase price	€280,000
IMT (progressive non-HPP) + stamp duty	€11,800
Legal + light furnishing	€6,400
Total cost in	€298,200
Gross rent (€1,150/month × 12)	€13,800
Vacancy reserve	-€380
Management (8%), maintenance, insurance, IMI, condominio	-€3,080
Net before tax	€10,340
IRS — note: 10% rate under Lei 9-A/2026 if the lease is ≥3 years and ≤€2,300/month (moderate-rent regime), otherwise 25% Cat. F	-€1,030
Net after tax (moderate-rent)	€9,310
Net yield on cost-in	3.12%
Gross yield on purchase price	4.93%

The Faro long-term case looks low-headline but is **higher net yield than the Albufeira AL** above — and with one-twentieth the operational overhead. The 2026 moderate-rent 10% IRS rate (Lei 9-A/2026, valid through 2029) materially improves long-let economics for the first time in a decade.

Example D — €1.2M Quinta do Lago villa, appreciation case

Not a yield play. Gross AL 3–4%; long-term lets sticky at ~2.5–3.5% gross. The case is appreciation: at a conservative 4% CAGR, €1.2M today is ~€1.78M in 10 years. Net of selling costs (5–6%), CGT (50% inclusion at progressive scale, ~14–24% effective) and currency, pre-rental IRR is roughly 4.5–6% — plus 50–80 nights/year of personal use the buyer values privately. Liquidity is real but slow: 6–18 months to sell at asking.

Tax stack for investors, 2026 (corrected)

Numbers below match CANONICAL_FACTS.md. Verify with a Portuguese tax adviser before signing.

IMT (transfer tax)

Current rules in force at May 2026:

- **HPP and non-HPP residential, progressive scale** — see [taxes-and-costs](#) for the full brackets. Top marginal at 7.5% above €1,150,853.
- **Non-resident flat 7.5% (Lei 9-A/2026): approved 6 March 2026, decreto-lei autorizado promulgated 12 May 2026, NOT YET OPERATIONAL** pending DR publication of the DL (expected mid-2026). Once in force, it applies to *any* non-resident acquisition of urban residential property, regardless of price.
- **Five carve-outs** from the 7.5% flat: (1) buyer already PT tax-resident; (2) buyer becomes resident within 2 years (IMT refund); (3) Portuguese emigrant acquiring housing; (4) property let at "renda moderada" (\leq €2,300/month) for at least 36 months within the first 5 years; (5) buyer in official Portuguese state service abroad.
- **Rural land:** 5% flat. **Building plots / commercial:** 6.5% flat.

For investors, the carve-out that matters is the moderate-rent let — incompatible with AL, possible with a long-term tenant at sub-€2,300/month rent. Run the math: in mid-price coastal Algarve (€350–€600k), a moderate-rent obligation cuts gross income but saves enough IMT to be worth modelling.

Stamp Duty

0.8% on purchase price. Additional 0.6% on mortgage value if financed.

IMI (annual)

0.3–0.45% of VPT for urban property; rural at 0.8%. Algarve coastal councils typically 0.30–0.38%. VPT is usually 50–70% of market value, so effective IMI on market value is 0.15–0.30%.

AIMI (wealth surcharge)

Holder	Allowance	Rates
Individual	€600,000 VPT	0.7% / 1.0% / 1.5% (bands at €1M, €2M)
Couple, joint	€1,200,000 VPT	0.7% / 1.0% / 1.5% (bands at €2M, €4M)
Portuguese company	None — 0.4% from €1	1.0% above €1M VPT; 7.5% if offshore-blacklist

Corporate structuring rarely beats personal ownership below ~€2M portfolio because the AIMI €600k allowance is lost from the first euro.

Rental income IRS

- **Default Cat. F (residential):** 25% flat on net rental income.
- **Moderate-rent (\leq €2,300/month, \geq 3-year contract): 10% rate** under Lei 9-A/2026, valid through 2029. Material improvement for long-let economics.
- **Longer fixed terms** (5+, 10+, 20+ years): further rate reductions — see [traditional-long-term-rental](#).

- **AL (Cat. B):** simplified regime taxes 35% of gross revenue (65% deemed expense). Organised accounting allows actual expense deduction including mortgage interest.

Capital gains on disposal

- **Residents:** 50% of gain at progressive IRS (13–48%). Inflation correction after 24 months. HPP roll-over exemption.
- **Non-residents (post-2023, still in force 2026):** the flat 28% on 100% of gain has been eliminated. Default treatment is now **50% inclusion at progressive IRS rates**, with foreign worldwide income counted only for rate determination (not as Portuguese tax base). Effective rate for most non-residents lands 14–24% blended.
- The previous flat 28% on 100% of gain is still nominally electable but is rarely the better choice.

IFICI / NHR 2.0

Classic NHR closed to new entrants 31 December 2023. IFICI replaced it from 1 January 2024 — 20% flat on qualifying Portuguese income, narrow eligibility (highly-qualified research/innovation/healthcare/tech professions). **Foreign pensions are NOT exempt under IFICI** (this is the most material break from the old NHR). **Passive rental income does not qualify** for IFICI's benefits. Standard rules apply to most arriving investors.

Alojamento Local — the regulatory state, 2026

The framework after **DL 76/2024** (in force 1 November 2024):

- National moratorium on new licences: **lifted**.
- Licences are **transferable on sale** again — restored most of the pre-2023 capital value in licensed AL stock.
- **CEAL** (the extraordinary AL tax): **repealed**.
- **Quinquennial re-authorization: repealed**. Registrations are now permanent at national level.
- **Municipal containment** is now the live regulatory question — councils can write their own RMAL with conflict zones, density caps, time limits.

EU Regulation 2024/1028 — effective 20 May 2026

This is the second-order shoe to watch. From 20 May 2026, EU Regulation 2024/1028 forces short-term rental platforms (Airbnb, Booking, VRBO) to:

- Collect and display a unique registration number per host on every listing.
- Share monthly host-activity data with Member States via a single digital entry point.
- **Delist non-compliant listings.**

Portugal's transposition act and penalty regime have not been published as of mid-May 2026. Practical implication: if your property's AL registration is not clean — including for buyers of stock with grey-zone licensing — your listing risk is now structural, not theoretical.

Council-by-council snapshot, Algarve, mid-2026

Município	Stance	Containment status
Albufeira	Restrictive — studying conflict zones	Formal containment likely 2026–27
Loulé (Vilamoura, Quarteira)	Cautious	Possible in dense cores
Lagos	Conflict-zone framework signalled	Possible 2026–27
Lagoa (Carvoeiro)	Permissive	None active
Portimão	Mixed — Praia da Rocha watched	Studying
Faro	Permissive	None active
Olhão	Permissive	None active
Tavira	Permissive	None active
Vila Real Sto. António	Permissive	None active
Aljezur, Vila do Bispo	Permissive (tiny inventory)	None

Operational baseline

- **Confirm AL is allowed before CPCV.** Read the município's RMAL and contention map. This is the single most important due-diligence step.
- **Habitability:** licença de utilização in place. "Para reabilitar" stock cannot be registered until the use permit is reissued.
- **Registration via RNAL** (Balcão do Empreendedor). Provisional number ~10 working days; município has 60 days to oppose.
- **Required:** physical and online complaint book, fire-safety kit (extinguisher per 100m², smoke alarms, evacuation plan), AL multi-risk insurance (€250–€500/year), first-aid kit, identification plaque.
- **Guest reporting:** every non-Portuguese guest via SIBA within 3 working days (auto-handled by Airbnb / Booking with integration enabled).
- **Tax reporting:** AT receives platform revenue data directly under DAC7. Under-declaring is no longer feasible.
- **Penalties:** AL operation without registration: fines from €2,500 to €44,890. ASAE and GNR inspections do occur.

Long-term let reality

Investors from Anglo-Saxon legal systems consistently underestimate Portuguese tenancy law.

- **NRAU contracts:** fixed terms 1–5 years; auto-renewal if neither party notices within the legal window. A 5-year contract that renews once becomes a de facto 10-year occupation.
- **Rent increases:** annual, capped by the state coefficient (~2.0–2.4% in recent years).
- **Eviction for non-payment:** 12–24 months via the Balcão Nacional do Arrendamento, longer if the tenant is vulnerable. No fast track.
- **Eviction for landlord's own use:** restricted, 6 months' notice, court-challenge risk.
- **Security deposits:** 2 months typical, no escrow – sits in the landlord's account.
- **Moderate-rent regime (Lei 9-A/2026):** rent \leq €2,300/month + \geq 3-year term unlocks 10% IRS, IMT carve-out, and tenant-side IRS deduction. Real economic incentive, but with real lock-in.

Vet tenants brutally: 2 months' deposit + 2 months' advance + employer reference + fiador for foreign tenants without local credit history. A bad Portuguese tenant is a 24-month problem, not a 60-day problem.

Property management — what 22% actually buys

Tier	Fee	Includes
Long-term, light-touch	5–8% of rent	Tenant sourcing, contract, collection
Long-term, full-service	8–12% of rent	Above + maintenance, bills, year-end report
AL platform-only (DIY hybrid)	10–15% of revenue	Channel manager + dynamic pricing only
AL full-service	18–25% of revenue	Channel, pricing, cleaning, check-in, guest comms, maintenance
AL premium villa	22–30% + cost-plus	All of above + concierge, gardeners, pool techs

Self-managing AL in the Algarve still runs €4,500–€7,500/year in hard cash costs before counting the owner's time (cleaning supplies, software like PriceLabs or Hospitable, photography refresh, channel commissions 14–17%, payment processing 1.5–3%, AL insurance rider, annual fire-kit and complaint-book compliance).

Always reference-check by interviewing 2–3 current owners. Volumes of revenue mean little; what matters is what gets reported back to you and how transparent the cleaning, channel-fee and damage accounting is.

Financing for investors, 2026 (corrected)

Rates — as of mid-May 2026

- **Euribor 3M:** 2.283%
- **Euribor 6M:** 2.548% (the dominant index in Portuguese variable-rate stock, per BdP March 2026)
- **Euribor 12M:** 2.860%

Source: EMMI fixings, BPstat. Quote with date and an "as of" caveat — these move weekly.

Spreads and product

- **Non-resident spreads:** typically Euribor + 1.0% to +1.5%.
- **Resident spreads:** typically Euribor + 0.5% to +1.2%.
- **Mixed-rate offers** (3–5 year fixed at 3.0–3.8% then indexed to Euribor 6M) widely available.
- **Stress test:** BdP requires banks to test borrower capacity at index **+3 pp** (under review in 2026 — possibly higher). Model your DSTI at Euribor +300 bps minimum.

LTV by buyer profile (market practice, not regulation)

Profile	Typical LTV
Resident, primary home	80–90%
Resident, second home / investment	70–80%
Non-resident EU/EEA	65–75%
Non-resident UK / non-EU	60–70%
Non-resident corporate	50–65%

The BdP macroprudential framework formally caps LTV at 90% (HPP residents), 80% (secondary residence), and 70% (non-HPP/investment). For non-residents specifically, banks apply market-practice LTVs of 60–75% — that's commercial convention, not law, and varies bank-by-bank.

Underwriting points

- **DSTI \leq 50%** per BdP recommendation, with limited exceptions to 60%. Banks target 35–40% on net documented monthly income.
- **Foreign income** accepted but converted at conservative rates and partly discounted.
- **Rental income** from the target property counted at 60–70% of projected gross.
- **Property valuation** by a CMVM-registered evaluator drives LTV — not the purchase price. Bank valuation often comes 5–15% below purchase on premium product.
- **Interest deductibility:** for Cat. F residential rental, mortgage interest is deductible. For Cat. B AL on simplified regime (35% deemed taxable), no separate interest deduction; organised

accounting allows it.

See [how-to-get-a-mortgage-in-portugal-using-foreign-income](#) for the bank-by-bank texture.

Risk analysis

Regulatory

- **High probability 2026–28:** Albufeira, Lagos and Loulé write municipal AL containment for defined zones.
- **Medium probability:** AIMI threshold lowered or rate increased on individual ownership above €1M.
- **Active risk now:** EU Reg 2024/1028 platform delisting from 20 May 2026 — your registration paperwork must be clean.
- **Low probability:** national rollback of DL 76/2024 (would require new political cycle and majority).

Climate

- **Drought / water rationing** is the most material risk. 2023–2024 saw council-level restrictions on pool filling and garden irrigation. The Albufeira desalination plant remains in environmental review. Prefer properties with rainwater collection or borehole; avoid villas with very large lawns.
- **Wildfire** concentrates inland (Monchique, São Brás, north of Silves). Coastal urban properties have de minimis fire exposure.
- **Sea-level rise / coastal erosion:** material on stretches of Vale do Lobo, Quarteira, Praia de Faro (Ilha de Faro) — APA studies have flagged dune retreat. Avoid first-line beach where retreat is documented unless you accept very long-tail risk.

Saturation

- Albufeira / Praia da Rocha: arguably already saturated for AL. Thinner price growth, more competition, more political pressure.
- Lagos, Carvoeiro, Vilamoura: room before saturation but new pipeline (especially Vilamoura) is significant.
- Faro, Olhão, Tavira, Loulé: clearly under-supplied vs demand.

Currency

- GBP/EUR moves of 8–15% in a year are routine post-Brexit.
- EUR/USD has run 1.10–1.18 through 2025–2026 with both Fed and ECB easing.
- Lock at least 50% of purchase price via forward FX (12-month forward typically 0.5–1.0% from spot) once CPCV is signed.

Liquidity

- Sub-€500k well-located coastal: 60–120 days median.
 - €500k–€1M villas: 4–9 months.
 - €1M–€3M villas: 6–18 months.
 - €3M+: 9–24 months, longer with any defect (orientation, condition, HOA dispute).
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The mistakes investors keep making

For the full inventory see [mistakes-to-avoid-when-investing-in-the-algarve](#). The five that hurt most:

1. **Buying tourist apartments without checking AL allowance.** Always verify the município's RMAL and contention map *before* CPCV.
 2. **Confusing brochure yield with net yield.** A 7% gross becomes 3% net once 22% management + cleaning + utilities + IRS + IMI + insurance are loaded honestly.
 3. **Optimistic occupancy / ADR.** Sales agents quote peak-week ADR × 365 nights. Reality is 55–70% blended occupancy, peak ADR achieved 6–10 weeks/year.
 4. **Using the seller's preferred lawyer.** Textbook conflict of interest. Hire your own, English-speaking, with property specialisation.
 5. **Forgetting AIMI.** Two €700k properties personally crosses €1.2M cumulative VPT → AIMI bites. Plan ownership structure before, not after.
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Conclusion

The Algarve in 2026 is a two-speed market. Trophy assets in the Golden Triangle compound fast on small transaction volumes (treat snapshots as indicative, not as "the price"). Saturated tourist coast cashflows under tightening rules. Under-the-radar working markets — Faro, Olhão, Loulé town — deliver the best risk-adjusted yields if you can tolerate slower capital growth.

The investors who do well share four habits: they verify AL rules município-by-município before signing; they model net not gross; they stress-test at Euribor +300 bps and revenue -25%; and they hire counsel independent of the seller. The investors who don't pay a 15–25% "tuition fee" — sometimes more.

This guide is information, not advice. The 2026 fiscal package is still being implemented; the EU short-term rental regulation lands this month; municipal containment is fluid. Confirm regulatory and tax points with a qualified Portuguese adviser before signing.

Related reading

- [where-to-buy-in-the-algarve](#) — the master sub-region map for lifestyle and geography. Read alongside this guide.
 - [taxes-and-costs-of-buying-property-in-portugal](#) — full IMT/IMI/AIMI/CGT reference for 2026.
 - [mistakes-to-avoid-when-investing-in-the-algarve](#) — the 25-mistake companion to this guide.
 - [traditional-long-term-rental](#) — NRAU mechanics and the 2026 moderate-rent regime in depth.
 - [passive-property-investor-guide](#) — the passivity spectrum across SIGI/FII/AL/long-term, for investors who want exposure without operational load.
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How 2nd Haus can help

We run **buyer-side investor advisory** in the Algarve. That means a paid engagement representing you, not the seller — sub-region screening against your yield target, AL feasibility verification (RMAL, contention zones, deed restrictions), full cost-stack modelling including the 7.5% IMT scenarios, structural and legal due diligence with independent counsel, and negotiation. We charge a flat fee per engagement, disclosed upfront; we do not take commission from sellers, developers, or banks.

If you are weighing one property: a paid **property audit** (~€1,200) gives you the same yield/risk pack we'd produce for our own purchase. If you are weighing the market in general: a **45-minute strategy call** typically sorts which of the six strategies above fits your capital, timeline, and tolerance for operational load.

Book at [2ndhaus.pt](#) — or send the property link and we'll tell you whether it's worth the audit fee before you pay it.

Sources

Primary

- [Lei n.º 9-A/2026, de 6 de março](#) — DR (housing fiscal package; non-resident 7.5% IMT regime)
- [Decreto-Lei n.º 76/2024, de 23 de outubro](#) — DR (AL framework)
- [EU Regulation 2024/1028](#) — EUR-Lex (short-term rental data sharing; effective 20 May 2026)
- [Banco de Portugal](#) — LTV, DSTI, maturity limits — [bportugal.pt](#)
- [BPstat](#) — Euribor por prazo — [bpstat.bportugal.pt](#)
- [INE](#) — [Estatísticas de Preços da Habitação ao Nível Local](#) — [ine.pt](#) (Algarve median €3,139/m², 2025 full-year)
- [Ofício Circulado AT n.º 40129/2026](#) — 2026 IMT tables
- [Portaria n.º 352/2024/1 e 52-A/2025/1](#) — IFICI framework

Further reading

- PwC Portugal — Property taxes 2026, IMT 2026 tables
 - Cuatrecasas — Reduced VAT & housing tax benefits
 - Idealista — Non-residents 7.5% IMT explainer
 - ECO — Housing fiscal package promulgation, 12-05-2026
 - Essential Algarve — €1.8B tourism 2025
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Last updated 15 May 2026. Verified against CANONICAL_FACTS.md 2026-05-15. This guide is refreshed quarterly; the 7.5% non-resident IMT operational status and EU Reg 2024/1028 enforcement texture will be updated as soon as the decreto-lei autorizado is published and Portugal's transposition act is in force.

Want a buyer-side advisor on your specific case?

2nd Haus is a buyer-side real-estate consultancy specialised in the Algarve. We will tell you not to buy if that is the honest answer.

[Talk to 2nd Haus](#)

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