

# NPL&REO in Portugal 2024

SPRING UPDATE

2024 promises to be an atypical but very positive year for the Portuguese NPL market, whose volume is set to triple compared to 2023, impacted by one of the largest transactions ever recorded in the country.

## Economy

After recording the highest growth since 1987 and one of the strongest in Europe in 2022 (6.7%), the Portuguese economy expanded 2.3% in 2023. Nevertheless, Portuguese GDP is growing for the third consecutive year.

6.8% (2022) ↓

### 2.3%

GDP GROWTH 2023  
SOURCE: INE

8.1% (2022) ↓

### 5.3%

INFLATION RATE 2023  
(HICP)  
SOURCE: EUROSTAT

2.3% (2023) ↓

### 1.2%

GDP GROWTH 2024  
(FORECAST)  
SOURCE: EUROPEAN  
COMMISSION

## Property Market

The number of dwellings sold decreased, however, the lack of new supply in the market sustained the continued rise in prices. As for new mortgage loans, the growth in total amount granted is due to renegotiations, that reached €8.8 billion, a figure five times higher than the €1.6 billion recorded in 2022.

129,400 (Q1-Q3 2022) ↓

### 102,400

DWELLINGS SOLD  
(Q1-Q3 2023)  
SOURCE: INE

8.0% (Q1-Q3 2022) ↓

### -20.9%

Y-O-Y VARIATION IN HOUSING  
SALES (Q1-Q3 2023)  
SOURCE: INE

13.1% (Q3 2022) ↓

### 4.2%

Y-O-Y HOUSING PRICE  
VARIATION (Q3 2023)  
SOURCE: INE

€1,492/sqm (Q3 2022) ↑

### €1,641/sqm

HOUSING AVERAGE SALES  
PRICE (Q3 2023)  
SOURCE: INE

€16.2bn (2022) ↑

### €21.6bn

NEW MORTGAGES  
GRANTED (2023)  
SOURCE: BANK OF PORTUGAL

5.8% (2022) ↑

### 34.0%

Y-O-Y VARIATION IN NEW  
MORTGAGE VOLUME (2023)  
SOURCE: BANK OF PORTUGAL

## NPL Stock and Ratio

At €5.6 billion as of Q3 2023, Portugal's stock of NPLs continued to fall sharply, with drops of 11.1% q-o-q and 22.1% y-o-y. Over the last twelve months the stock has fallen by €1.6 billion in absolute terms, of which €700 million in the last quarter alone. Portugal recorded one of the sharpest reductions of NPL in Europe,

€7.2bn (Q3 2022) ↓

### €5.6bn

NPL STOCK  
(Q3 2023)  
SOURCE: EBA

2.0% (Q3 2022) =

### 2.0%

SHARE IN EUROPE'S  
NPL STOCK (Q3 2023)  
SOURCE: EBA

3.0% (Q3 2022) ↓

### 2.8%

NPL RATIO  
(Q3 2023)  
SOURCE: EBA

where most countries are already experiencing a slight rise in defaulted credits. At the end of September, Portuguese NPLs accounted for 2% of total European NPLs. Similarly, the NPL ratio in Portugal has developed positively over the last twelve months and stood at 2.8% in Q3 2023, falling below the 3.0% mark for the first time. Although this ratio has shown some volatility over the past year, alternating small increases and decreases of 0.1 percentage points (p.p.) for four consecutive quarters, it ultimately fell by 0.3 p.p. compared to the 3.1% recorded in Q3 2022.



32.0% (Q3 2022) ↑

**34.0%**  
OF PORTUGUESE NPLS  
€1.9bn/-17.4% Y-O-Y  
SOURCE: EBA

43.0% (Q3 2022) ↑

**53.0%**  
OF NPL SITS IN MORTGAGES  
€1.0bn/0.0% Y-O-Y  
SOURCE: EBA



64.0% (Q3 2022) ↑

**63.0%**  
OF PORTUGUESE NPLS  
€3.5bn/-23.9% Y-O-Y  
SOURCE: EBA

39.0% (Q3 2022) ↑

**46.0%**  
OF NPL TO NFC IS SECURED  
BY CORPORATE REAL ESTATE  
€1.6bn/-11.1% Y-O-Y  
SOURCE: EBA

## NPL Potential Deals

2024 is set to be an outstanding year for NPL sales in the Portuguese market, with the trading volume expected to more than triple compared to 2023, standing between €4.5 billion and €5.0 billion. However, these figures do not reflect a real increase in market buoyancy. On the one hand, 2023 recorded a subdued sales volume, reaching about €1.4 billion, which fell 17.6% compared with 2022 and is only above the historic low of €1.0 billion seen during the pandemic standstill (2020). On the other hand, and more importantly, the expected annual volume reflects the impact of just one deal, namely the transaction of the Cascais project. Once completed, this will be of the largest transactions ever recorded in the country. This deal initially involved both the mega NPL portfolio of the LX Partners fund and its servicer Algebra Capital, but recent news say that the transaction is to be closed excluding the servicer, which will set the nominal value on about €4.2 billion.

In addition to this deal, which is expected to be closed during the first half of the year, the market should record few sales processes for smaller portfolios, to be launched in the coming months, in line with what has been observed in recent years.

Confirming the international trend towards consolidation in the servicer market, 2024 will also be an atypical year for the Portuguese market in terms of corporate sales. The sale of DoValue Portugal, which has at least €500 million in assets under management, is underway and is expected to be completed in the first half of the year.

The secondary market could also prove more dynamic this year, as recent interest rate rises have put additional pressure on investors who have leveraged their NPL purchases in the past to sell, which could translate into more opportunities in this segment.

It should also be noted that investors active in this market in Portugal are expected to invest more in asset securitisation structures, which is already beginning to be seen.

In any case, for the time being, it isn't expected any major increase in the volume of NPL in the Portuguese financial system, which is expected to remain at a sustainable level, with the transactions planned for this year contributing significantly to a reduction in annual terms.

**€1.4bn**  
NPL SALES 2023  
(ESTIMATED)  
SOURCE: PRIME YIELD

# About Prime Yield part of Gloval NPL&REO Services

Established in 2005 and since 2018 a part of Gloval, a leading property services group that provides integrated valuation, engineering and consulting services, Prime Yield delivers valuation, research and advisory/consultancy services and has been focusing on the NPL&REO market, specializing in Europe and Latin America. The company has an NPL&REO specialized business area, supported by Prime AVM&Analytics, an advanced technological solution that allows NPL's investors and sellers to have property valuations in a fast, simple and reliable way both for single assets and entire portfolios. Prime Yield is regulated by RICS and REV-TEGoVA, also holding a certification in Quality and Environmental Management (NP EN ISO 9001 and NP EN ISO 14001).

Visit us at <https://nplreo.prime-yield.com>

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