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Monthly Report | Real Estate Market | March 2023



Lisboa | Linha de Cascais | Ribatejo | Master Minas Gerais, Brasil



## (More?) Housing Program



**Never has so much been said about Housing as in the last two months.** So much so that it has become difficult to navigate in the midst of so many advertisements, proposals, changes, analyses, etc.

For easier navigation here is a summary:

**16 February** | PowerPoint presentation of the “MORE HOUSING” Program. Public consultation launched by 13 March (without the draft legislation being available).

**3 March** | Disclosure of the draft legislation (sent to Parliament on 4 March).

**9 March** | Extension of the public consultation until 24 March.

**22 March** | Decree Law no. 20-B/2023, | DRE - Rent Subsidies and Loans approved and passed.

**30 March** | New presentation of the Program and disclosure on the Government website (only in explanatory text and not in legal formulation)

**27 April** | Approval of measures to simplify licensing was contemplated. There is still no date for the Government’s proposals to enter Parliament

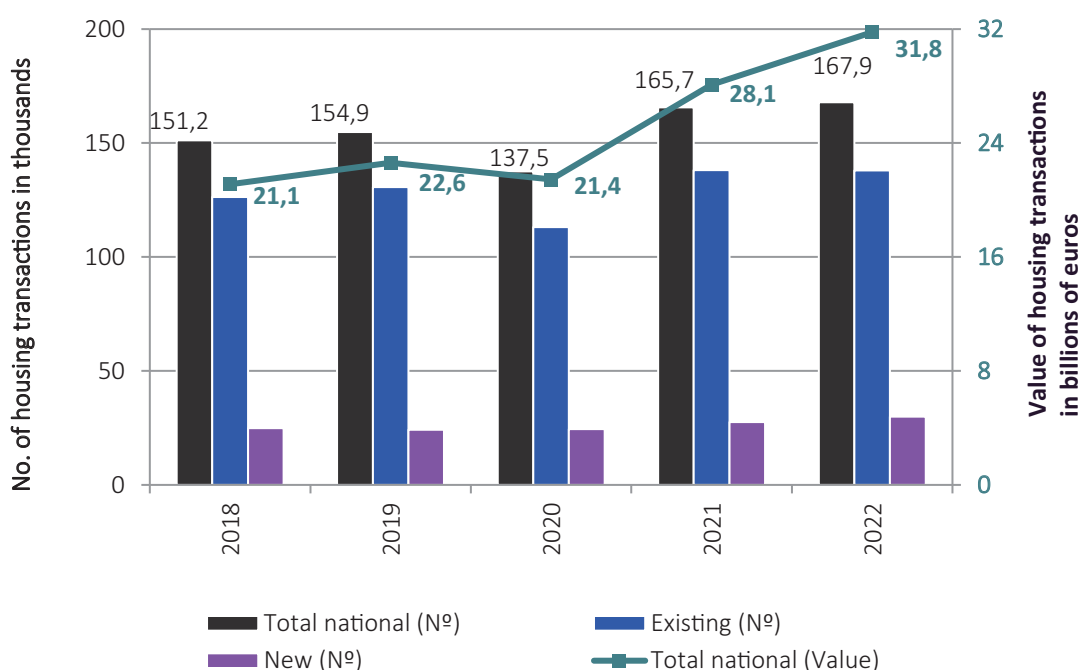
<https://www.portugal.gov.pt/pt/gc23/comunicacao/documento?i=mais-habitacao-propostas-de-lei>



## Residential property sales in 2022

In 2022, 167 900 houses were traded, 1.3% more than in 2021. In value totalled 31.8 billion Euros which is a 13.1% increase over the previous year

Indicator of the number and value of housing transactions, national total, existing and new, 2018-2022

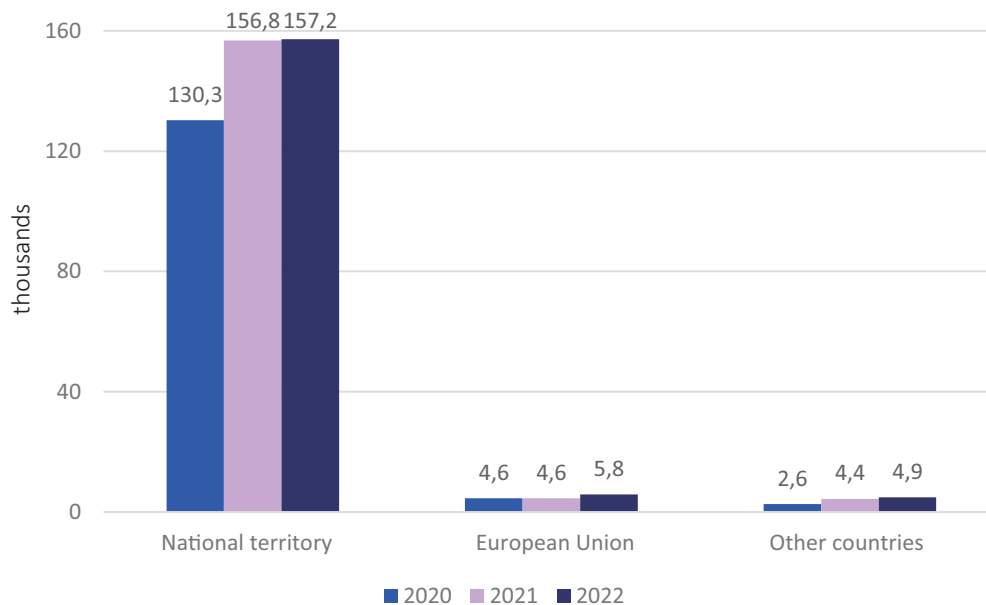


Source: INE, House Price Index.

But in the last 6 months the situation was reversed, with a reduction of 9.6% in the number of transactions (-1.0%, in value) 38 526 houses were traded in the 4th quarter of 2022, resulting in a year-on-year rate of change of -16.0% and a reduction of 8.8% in relation to the previous quarter. 157 178 houses (93.6% of the total) were acquired by purchasers with tax residence in Portugal, 0.3% more than in 2021. 10 722 sales, totalling 3.6 billion Euros, were acquired by purchasers with tax residence outside of Portugal, corresponding to a growth of 20.2% and 25.3%, respectively. Between October and December 2022, there was a year-on-year reduction of 20.6% in the total acquisitions of purchasers with tax residence outside of Portugal.



Indicator of the number of housing transactions, by tax residence of the purchaser, 2020-2022



Fonte: INE, Índice de Preços da Habitação.

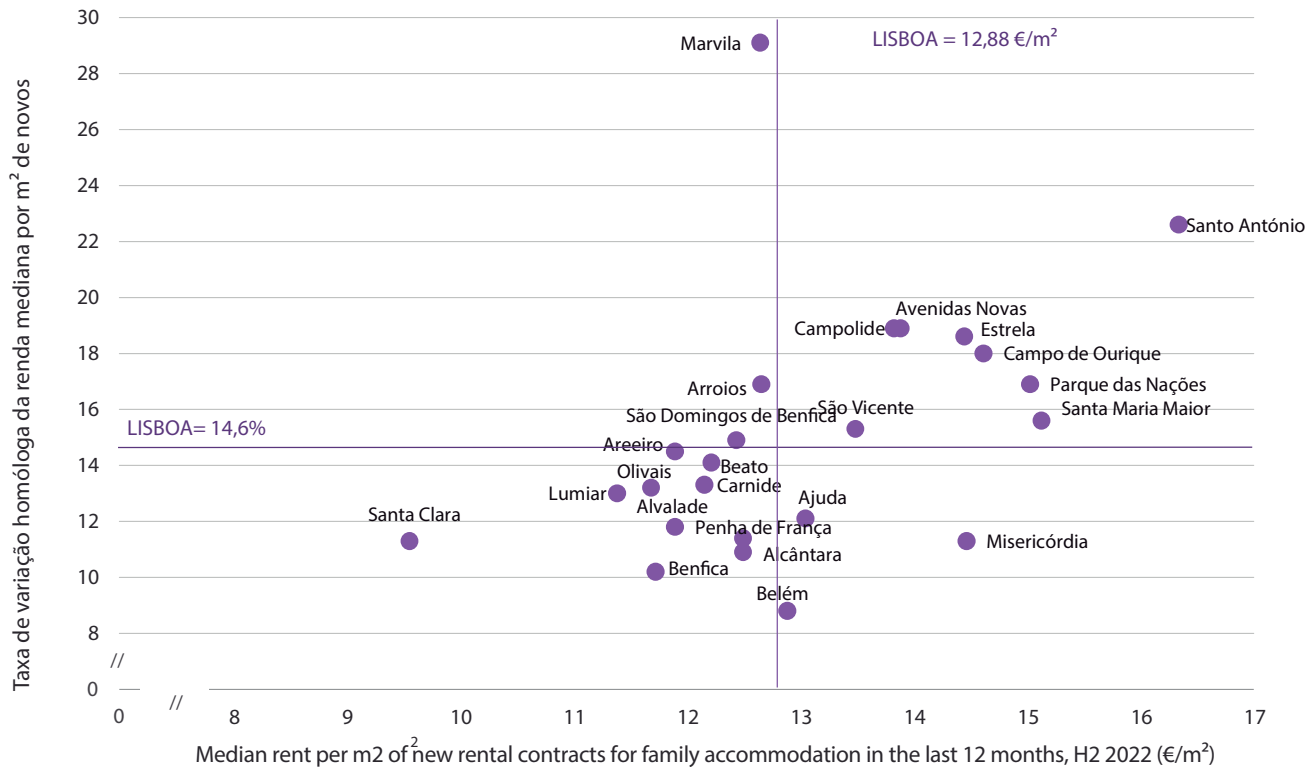
36.9% of the universe of transactions that involved a purchaser with a tax residence outside of Portugal in 2022 related to housing located in the Algarve, the lowest value since the start of the series in 2019, followed by the Lisbon Metropolitan Area (20.1%). In value, the predominance of the Algarve was even greater, concentrating 44.9% of the total amount, followed by the Lisbon Metropolitan Area with 31.6%.

## Rental market 2022

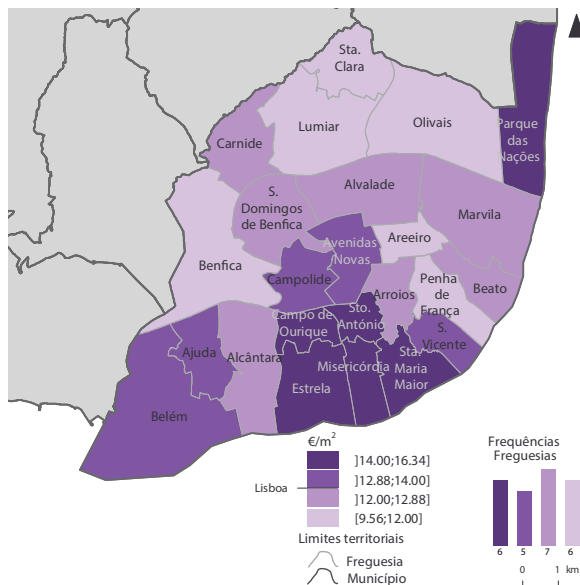
In the country as a whole, 92. 572 new contracts were signed, an increase of 6% compared to 2021. The Lisbon Municipality registered the most rental contracts of the country with 9 956 new contracts concluded in the last 12 months, 4.3% more than in the same period of the previous year. In the 4th quarter of 2022, the median rent per m2 of new rental contracts increased in the 24 municipalities with more than 100 000 inhabitants. Of this group, three municipalities of the Lisbon Metropolitan Area stood out with year-on-year growth of over 20%: Oeiras (+23.9%), Lisbon (+22.4%) and Cascais (+21.0%).



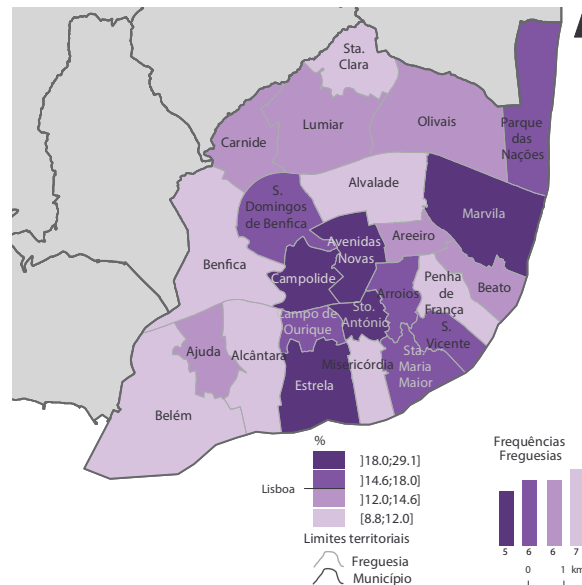
**Median rent per m<sup>2</sup> of new rental contracts for family accommodation and year-on-year rates of change corresponding in the Lisbon Municipality and its parishes in the H2 2022 (12 months)**



**Lisbon Median rent/sqm - new contracts**



**Year-on-year rent change**





## “More Housing” (30.3.2023) | Main aspects:

### 1. PRIVATE AFFORDABLE RENTAL PROJECTS

- Housing Development Contract (HDC) on public land or buildings for construction, conversion or rehabilitation of buildings for affordable rent. Line of Financing of 250 M€.
- 6% VAT rate for construction or rehabilitation contracts of buildings mostly allocated to the Rental Support Program (at least 70 % allocated to the RSP);
- 3-year exemption from IMI after acquisition or rehabilitation if allocated to the RSP, and may apply for a further 5 years;
- IMT exemption on the acquisition or purchase for rehabilitation or construction if allocated to the RSP after rehabilitation or construction;
- Exemption from AIMI, as long as they are included in the RSP;
- Stamp Duty exemption in housing leasing contracts of buildings for affordable rent

### 2. AFFORDABLE HOUSING COOPERATIVES

- Assignment of the public assets made by concession of the surface right, for a maximum period of 90 years, with the transfer of full ownership to the beneficiary(ies) not being allowed.

### 3. LEASES

#### 3.1. Tax incentives of the General Regime

##### 3.1.1. Deduções e Reduções de Taxa

- Renters insurance is now deductible (only if declared in category F)
- Reduction of the rate based on the duration of the contract:
  - Up to 5 years: 25%
  - Between 5 and 10 years: 15%
  - Between 10 and 20 years: 10%
  - More than 20 years: 5%

It was not clarified whether the previous contracts will continue to benefit from the reductions contemplated in the renewals and / or if these new benefits apply to all or only to new contracts (as was the case at the time of the reductions currently in force)



### **3.1.2. Income tax/Corporate tax exemptions**

- Contracts included in the RSP
- Contracts before 1990
- Contracts resulting from the conversion of previous Local Accommodation.

### **3.1.3. Other measures**

Contracts before 1990 will no longer be transferred to the NRAU - Compensation to Landlords contemplated on the basis of a study to be presented by July.

The allocation of the Porta 65 Jovem is no longer linked to periods of application, functioning continuously throughout the year.

### **Rent to Sublet Program**

The State will propose the voluntary rental of buildings to private individuals, namely those that are vacant, but ready to live in, then subletting to middle class households, with maximum effort rates of 35% and giving priority to the situations of loss of income, single parent families and young people.

### **3.3. RENT CAPS ON NEW CONTRACTS**

In the case of buildings that were already on the rental market in the last 5 years, the initial rent in new contracts cannot exceed 2 % compared to the previous rent, plus the automatic update coefficients of the three previous years - if these have not yet been applied, considering that in 2023 this value was 5.43%. In the case of buildings where major refurbishment or restoration works have been carried out, duly certified by the municipalities, the increase may be an additional 15%. This regime will be in force for seven years.



### **3.4. FORCED RENTAL**

Whenever a building is classified by the municipality as vacant and, as such, is already subject to increased Municipal Property Tax, and whenever, two years have already passed since this classification, the municipality must re-notify the proprietor concerning the respective use.

At the end of this period, the municipality should notify the proprietor, according to the case, to:

- Carry out conservation works and, when it fails to do so, the municipality may resort to the instrument that already exists in the law for coercive works.
- Fulfil the duty to use the building in the period of 90 days, and, when it fails to do so, the municipality can propose its rental or, as a last resort, proceed with forced rental.

### **4. RENT SUBSIDY AND LOANS**

Decree Law no. 20-B/2023, Rent Subsidies and Loans. Maximum support of 200 Euros/month for rent and subsidy of the above “stress test” value on purchases up to € 250,000.

### **5. END OF THE RESIDENCE PERMIT FOR INVESTMENT PROGRAM (GOLDEN VISAS FOR THE ACQUISITION OF REAL ESTATE)**

New Golden Visas may not be attributed as from 16 February 2023.

The renewal of visas is only granted if the building is for permanent residence or placed on the rental market.

New visas are only possible within the scope of the new regime approved by law 18/2022 of 25 August.





## 6. LOCAL ACCOMMODATION

1. Suspension of new licences in the modalities of apartments and lodging establishments integrated in an autonomous fraction of a building, in certain conditions:
  - until the respective municipality approves the Municipal Housing Charter, in the case of the territories that do not fall within the concept of low density (Ordinance 208/2017, of 13 July) - whenever municipalities declare a housing shortage, and as long as it remains;
2. Reassessment of the current licences, by the municipalities, in 2030;
3. New licences will be valid for 5 years;
4. Expiry of licences due to any cause of transfer, except in cases of succession;
5. Creation of an expiry regime for inactive licenses.
6. Possibility of condominiums terminating licences issued without their approval;
7. Extension Parish Councils' powers of inspection.

## 7. EXEMPTION OF CAPITAL GAINS TAX - SALES TO THE STATE AND AMORTIZATION OF CREDIT

Reduction of the current taxation (50% of the capital gains subject to the progressive Personal Income Tax rates), through the creation of a tax exemption regime, for personal income tax (IRS) and corporate income tax (IRC), on capital gains resulting from the sale of buildings to the State, Local Authorities and Autonomous Regions with the following exceptions:

(i) capital gains realised by residents with tax residence in a country, territory or region subject to a more favourable tax regime and (ii) gains arising from the exercise of pre-emptive rights.

Capital gains generated on the sale of land for construction or residential properties that are not the personal and permanent residence of the taxable person or household, occurring since 1 January 2022, are exempt from Personal Income Tax if the value of the sale is intended to amortise the credit of the personal and permanent residence of the proprietor or descendants. If the sale value is higher than the value of the loan contracted for the acquisition of the personal and permanent residence, the remaining amount is subject to taxation, in general terms.



## Land Bank Portfolio for sale by 400 million

Novobanco is the seller.

130,000 m<sup>2</sup> corresponding to a plot of land **located in the zone of Amoreiras**. Housing, office and retail development is planned on the site.

In the **Parque das Nações** area, 88,000 m<sup>2</sup> which allows for the development of offices, services and retail project.

In the **municipality of Oeiras**, potential construction of 80,000 m<sup>2</sup> for residence, tourism and retail. In the Algarve, **land in Portimão with 110,000 m<sup>2</sup> of construction potential**.

