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# infos

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## Macroeconomic environment

In February, the National Statistics Institute (INE) published the results of the growth in Gross Domestic Product (GDP) for 2018. In the annual total, GDP increased by 2.1%, 0,7 percentage points less than in the previous year. Year-on-year growth in GDP was 1.7% in the 4th quarter of 2018.

Despite the downward revisions for growth in the coming years by the Bank of Portugal, European Commission, and IMF and also a similar forecast in February by Moody's (which maintained the classification of Portugal's public debt, but warned of risks in the future), the 10-year interest rate on Portugal's public debt reached its lowest level ever, below 1.5%.

### PWC " Emerging Trends in Real Estate®: Europe 2019

Externally, opinions are still positive: Lisbon came in first place in the ranking of a PWC study, as the city predicted to have the best overall growth in investment and development. It is considered a small but dynamic "Rising Star" of Europe.

Lisbon takes the lead		2019	2018
<p>Emerging Trends in Europe 2019 ranked the real estate markets in major European cities according to their overall investment and development prospects.</p> <p>With some of Europe's major markets judged to be peaking, attention is shifting to smaller, dynamic cities; the "risking stars".</p> <p>This year's choice for overall prospects is Lisbon, rising 10 places to number one. Interviewees cite the city's "quality of life" and "positive" leadership. Plus, it's seen as a late-cycle play.</p> <p>Portugal's economy is growing healthily and its capital is now an international destination for companies, investors and tourists.</p> <p>The 10 European cities that are expected to fare best in 2019 are a mix of smaller newcomers, such as Lisbon and the larger, tried and tested markets. It is no surprise, for instance, that German cities still dominate the top spots for 2019.</p>	1	Lisbon	Berlin
	2	Berlin	=Copenhagen =Frankfurt
	3	Dublin	
	4	Madrid	Munich
	5	Frankfurt	Madrid
	6	Amsterdam	Hamburg
	7	Hamburg	Dublin
	8	Helsinki	Stockholm
	9	Vienna	Luxembourg
	10	Munich	Amsterdam

Meanwhile, at home, the PHMS (Portuguese Housing Market Survey) barometer published less positive expectations domestic with real estate developers and brokers, referring to a possible slowdown in the rise in prices and a drop in new properties coming to market.

According to Confidencial Imobiliário, there are signs of a slowdown in the main cities. This is evident in the house price indices, which show a slow down in the growth in prices in Lisbon. In particular, the historic centre is at the forefront of a new wave of stabilization in the market.

## Summary of changes to the leasing laws

A number of changes were approved in the last 6 months and so, although some may have already been mentioned in last INFOSIIMGROUP, we provide a brief summary below as well as a list of the legal diplomas that should be consulted.

### Tenant protection measures

- Only rental contracts with a minimum period of one year may be concluded. Opposition to the first renewal of the contract, by the landlord, only takes effect three years after the starting dates of the contract, except in cases where the landlord needs the leased premises for his/her own residential purposes, or that of his/her first line descendants.

- Late payment of rents (payment after the 8th day of each month), will imply a 20% increase (previously 50%), except if the contract is terminated based on the lack of payment. If the lessee does not resolve the delay, the landlord should, in the 90 days following, notify the guarantor of the delay and of the amounts owed.

If the lessee becomes in arrears over eight days in the payment of the rent, for more than four months, in a period of twelve months, the Landlord may terminate the contract, and should inform the lessee, by registered letter with acknowledgement of receipt, after the third delay in the payment of the rent, that s/he intends to end the rental.

- The Lessee will have the right of preference on the sale of the leased premises for more than two years, and in this case the Landlord should notify the tenant of this right by registered letter with return receipt, with the lessee having a period of response of 30 days from the date of reception of the respective letter.

The landlord may end the contract due to works, but only when these imply the disappearance of the leased premises. Otherwise, the contract is suspended during the time that the works take place. If the contract is terminated due to works, the tenant has the right to be rehoused in an equivalent house.

- Lessees may make urgent works on the house, when the landlord does not do so, and will have the right to be reimbursed.

Tenants aged 65 or over or with a disability equal to or greater than 60% who signed contracts before 1990 have special protection.

- When there is no written contract, it is considered that the rental is for an indeterminate period if the tenant proves that s/he has paid rent and has occupied the building for at least six months.

- In the first five years after the start of a commercial contract, irrespective of the period stipulated, the landlord cannot oppose the renewal of the contract

### **Tax incentives on long-term lease agreements**

- The current rate at which landlords are taxed is 28%, although this may be reduced by up to a maximum of 10%.

- Contracts that last between two and five years will have a reduction of 2% or rather the rate will reduce to 26%.

- On each renewal, for the same period (between two to five years), a further reduction of 2% will be applied. The maximum reduction in tax (IRS) in these cases will be 14%.

- In contracts with a duration of between five and ten years, Landlords will be taxed 5% less, or rather 23%. The rule of progressive reduction also applies, as contract renewals occur and also up to a maximum limit of 14 %.

- For contracts with a duration between 10 and 20 years a tax rate of 14% applies, and for contracts over 20 years there is an 18% reduction, or rather, a rate of 10% will be applied.

### **Affordable Rent Program**

- The maximum value that rents can reach is still not known and will be defined later in an ordinance, but will use the value of rents published by the INE as a reference.

- For landlords who want to place their buildings on the rental market under this regime, income from property will be fully tax-exempt, whether Personal (IRS) or Corporate Tax.

## List of approved Legislation

- Law no. 30/2018 of 16/07/2018 - Extraordinary and transitory regime to protect elderly or disabled people who are lessees and live in the same leased premises for more than 15 years – came into force on 17/07/2018 and is in force until 31 March.
- Law no. 64/2018 of 29 October – came into force on 30 October. This guarantees the exercise of the preference right of lessees - (amends the Civil Code, approved by Decree Law no. 47 344, of 25 November 1966).
- Law no. 2/2019 of 9 January - came into force on 10 January - Authorises the Government to approve a special regime of taxation which provides for the tax exemption of income from property arising from housing rental or sub-rental under the Affordable Rent Program.
- Law no. 3/2019 of 9 January – came into force on 10 January and takes effect on 1 of this same month - Amends the Tax Law on the income of natural persons and creates conditions for access to tax incentives in affordable housing construction programs.
- Law 12/2019 of 12 February - came into force on 13 February - Prohibits and punishes harassment in rentals.
- Law 13/2019 of 12 February – came into force on 13 February - establishes measures intended to correct situations of imbalance between lessees and landlords, by reinforcing the safety and stability of urban rentals and protecting lessees in especially fragile situations.

## Increase in Municipal Property Tax (IMI) on vacant buildings

The Council of Ministers approved a measure that was already contemplated in the State Budget for 2019 and that will allow Town Councils to increase IMI on buildings that have been vacant for more than two years. The increase can reach six times more than the normal tax rate and then a further 10% may also be applied each year.

The new legislation also amends the regime that regulates the classification of urban buildings or building units as vacant. Namely it revised the rules on the indications of vacancy.

## Effective Right to Long-term Housing

The Government approved the creation of an Effective Right to Long-term Housing, which allows contracts to be established for the "lifelong residence" of residents in houses, through the payment to the owner of an initial deposit of between 10% and 20% of the value of the building and with the payment of a monthly instalment agreed between the parties.

If the resident withdraws from the contract during the first ten years, the owner has return the initial deposit. After these ten years, the owner can discount 5% of the deposit each year.



## Acciona acquires building in Estrela

Acciona is now in Portugal, in a partnership with the company Clever Red - property developer with experience in the rehabilitation of buildings for different uses in the main neighbourhoods of the Portuguese Capital. The estimated total investment for the project is 40 million Euros.

Acciona's first operation in the real estate market in Portugal was in an undertaking located in Graça and it is now going ahead with this project in Estrela.

## Lisbon City Council will start works in the Praça de Espanha

In 2020, the Praça de Espanha will be a green park, with spaces for recreation, leisure and sports. The works in the centre of the capital will start within months and should be concluded next year, when Lisbon will be the "Green Capital of Europe". The changes should cost the local authority six million Euros.

The future park will have direct access to the gardens of the Calouste Gulbenkian Foundation via a pedestrian bridge. It is not yet clear how the traffic in one of Lisbon's main entrances will be rerouted.

