

The made in Canada utopia and foreign investment

Currently the cost of housing is a global issue affecting many of the most developed economies. As of start of this year, the government of Canada prohibited non resident foreign citizens from acquiring investment properties during the next two years.

In Europe, a few days ago, the study "Housing in Europe" was published by Eurostat, disclosing that since 2013 housing costs in the European Union went up 37% and most of the population lives in overcrowded houses. Both these data are quite eye-opening by themselves! However, in Portugal the housing issue is a "chronic" one, with additional particularities weighting in the equation and aggravating the problem.

In my opinion, the issue rising in Canada, Portugal and other EU countries is if such measures shall originate a fall in housing prices? Additionally, does the answer to solve such a complex problem, such as the housing problem, that crosses the whole country and, in a way, all social classes, lies in only one measure? Lets see:

Starting with the example of the said Golden Visa, the weight of real estate transactions originated by this measure is small. Between 2013 and 2020, real estate investment for obtaining a ARI (Autorização de Residência para Atividade de Investimento, in English Residency Authorization for Investment activity) weighted 3.8% in the global amount of houses for sale in Portugal. Even if we considered that the total of these sales was concentrated in Lisbon's and Porto's metropolitan areas, we would conclude that they would amount to little over 6% in total.

Also the number of real estate transactions, concerning the non-residents residential segment, is also quite low. Recent data from the INE point to ca. 10%, that is, 90% of the housing sales volume in Portugal is undertaken by people with residence in the national territory. Additionally, during the past three years, ca. 85% of the housing sales volume in Portugal is taken up by the families. And the values recorded in Lisbon's metropolitan area are fully in line with the market.

The construction of new houses has not followed the demand pace. Between 2010 and 2021 the number of houses built was less that 15% of number built during 1995 and 2010.

Finally, the tax burden on a house's sale price is high and, with taxes, fees and more fees plus the taxation burden to buy a new house, this burden is between 30% and 40%, and in some cases it can be close to 50%.

Homes for the Portuguese families, now!

For several years now the APPII is raising awareness of all the stakeholders in the market for the housing problem, specially of the Parliament and municipal authorities, due to the role they play in this equation. Effectively, the housing issue in Portugal is not new and, in the past few years, was aggravated by the - most correct - bet in tourism as one of the clusters of our economy and an economic, social and health situation that brought about new challenges to our country and to the world.

To limit the current housing situation in Portugal to foreign investment is to deny an evidence: In the last decades, the political power has had no power to soften the current housing prices. Whether providing supply to the market or making available affordable housing, or even - and no less important - generating the conditions for other to do so.

Most important is also the fact that the Portuguese have no alternative in the rental market to find answers for their housing problems. This market is gross, expensive and fragmentary. It is overregulated in some areas and deficient in others.

The problem regarding housing in Portugal are identified, mas persist. Nothing was done to streamline licensing procedures, to ease taxes and fees, to create routes to promote affordable housing and the rental market. Now that the problem is exacerbating, is the solution to solve this problem in the prohibition of properties sale to non-habitual residents? It is time to look the problem in the eyes, gather strengths and act! Start a new path made of solutions instead of dazzle.