

Rents adjustment is a serious threat to economic development

2024 rent adjustment amount was recently disclosed. This 6.94% adjustment is the result of a formula indexed to the fluctuation occurred in the past 12 months of the consumer price index (except housing). In the past year, this figure was directly implemented, whereas in 2023 a maximum 2% threshold was set to rent adjustments.

At this time of the year and as the precedent has been set last year, we now ask ourselves how will 2024 be? Theoretically, rents limitation for properties protects the tenants and, even though we may not agree with its social justice, this raises another issue, who are the tenants protected by this measure? The truth is that this measure also covers - this was the case in 2023 - tenancy agreements for non-residential purposes. For instance, we are speaking of shopping areas held by major retail chains, that are protected by this measure at the expense of the landlords.

Lets see how this measure can impact non-residential tenancy agreements: in this type of agreements we have a tenant, quite often a major company or multinational corporation, and a landowner, frequently a private individual, who is the most vulnerable party in this business relationship... As we protect this tenant we are restricting the economic development as the landowner shall not feel confident enough to place his/her properties in the rental market, because he/she will be disadvantaged. One must make it quite clear that in many cases the landowners are small companies who take loans in order to build these properties for non-residential renting and expect some predictability in rents evolution to cope with the evolution of the corresponding loans. Effectively, the lack of evolution of the rents may result in decapitalisation of these businesses that build to rent, as it creates an unbalance between the bank bank credit under constant adjustment and the rent that remains the same. Additionally, one or two years with rents limitation has serious impacts in these agreements, which generally remain in force for 20 or more years, as the amount missing in the adjustment will be perceived during the next years, even with adjustment for inflation.

The APPII was recently made aware that the construction of new logistic parks is suspended as a consequence of this measure. This is a bad example that effectively limits the development of new economic projects, which we are in dire need in Portugal, and is a direct consequence of the applicable rent threshold that curtails the projects' feasibility in the long run.

The implementation of such a rent constraint applicable also to business contracts shall eventually generate a considerable slowdown in projects, not only in logistics, but in all economic projects. Once again a support measure backfires, in this case reducing the offer of business leasing spaces, paramount for economic development. For how long? How long is this

regulatory instability persist, implementing random measures that so deeply hurt the national economy?