

Annus Horribilis

That is how the investors will look at 2023.

I recall Queen Elizabeth II's speech in 1992, four days after the fire that devastated Windsor Castle and after so many crisis in the royal family. Now, a few days after the end of 2023, I cannot look back with "particular joy", just like Queen Elizabeth II in that fateful year.

Actually, after almost an absolutely positive decade long cycle in the real estate industry (2014-24), I would say that 2023 was one of the most challenging years in terms of public and legislative policy for the industry.

Barely recovered from a pandemic, which carried an economic crisis with it, we initiated 2023 amidst a war in Europe, which brought us inflation and the consequent interest rates increase. On top of this there was a supplies and raw materials crisis and, consequently, a sharp increase in construction costs. And let's not forget about the diminishing purchase power and increased difficulties in accessing funding.

If this was not enough, we cannot forget the fateful day of February 16th. The day the announcements started... I would say that the past year was the most adverse for the industry in terms of announcements than in terms of materialisation of these same announcements, because most measures announced either did not come to light or had no concrete implementation, or even were heavily amended (as they needed) in the final version.

But, in truth, the announcements by themselves damaged considerably (I am not saying "it" "crushed, because I believe the situation is reversible, even if difficult) our country's reliability as a democratic constitutional state, as a stable and trustworthy country and, above all, as an investment destiny, where external capital is welcome and much needed. Apparently our country does not suffer with scarce domestic liquidity and savings withholding, lacking financial power and strength to execute large projects, specially affordable housing projects.

We started this year with the botched announcement of the Mais Habitação package. This charged against everything and everybody, jeopardizing the right of ownership of over 73% of the Portuguese citizens, who own their own house. Additionally, it startled not only individuals, but also over 350 thousand owners (according to the Census) of vacant properties, but do not trust the most volatile, unpredictable and increasingly unhinged law in the Portuguese legal framework - the rental law - to decide to earn some income, for instance in the long-term rental market.

However, this announcement (not mentioning the package itself) mistreated also all those who allocate their house to local accommodation, thereby rehabilitating almost in full many of our cities, our economy and local business (let's remember downtown Lisbon and Porto ten years ago). Without this new dynamic, born almost a decade now, we would not have the rebirth of the local business and economy as we have today.

But we went on. And, if the end of the Golden Visas was not enough to ward off investors, the Government, surprisingly, put forward, almost in the end of the year, the (supposed) end of the

Non-habitual residents programme. Now, if we look into the figures, we must stress that the Golden Visas amounted to 0.2% of the real estate businesses in 2022 and less than 2% in Lisbon and Porto's urban areas. This type of programmes has nothing to do with housing, we are indeed watching what I have said in the market: the end of this programme did not bring more housing at lower prices, on the contrary, construction continues to decrease and naturally the prices increase. Therefore I insist: WE NEED SUPPLY! Such programmes were an authentic lifeline for a de-capitalised economy, burdened with heavy taxes and anemic 6.6% savings ratio, where internal consumption does not suffice. Additionally, the foreign direct investment stock reached in 2023 unheard levels close to EUR 174 billion, corresponding to 71% of the national PIB. And didn't we need or don't need anymore this capital? I always recall the famous saying "poor country, disguised as rich".

In a nutshell, nothing of the above measures contributed to reach Mais Habitação at prices the Portuguese citizens can afford. But, considering the importance of this subject, it will be addressed in the next article.