

### **Affordable housing: a three-step solution**

We are fully aware that the housing crisis in Portugal directly impacts the lives of million of citizens. Because of that I have been revisiting this subject over and over in the past few years. However, and despite its significance, the measures implemented until now did not suffice to remedy it. When we talk about housing, I have warned that the real challenge before us is access to housing, and this is basically s supply problem. We are building increasingly fewer and less affordable houses, specially for the national citizens, and this has just got worse year after year.

Developers and investors are ready to build more houses, however they must face a structural problem: the sum of construction costs, fees and charges invalidate this equation. The end result is a figure exceeding the Portuguese citizens financial capacity. If we want, in fact, more affordable houses, the path starts with reduction of the costs that increase construction costs.

From my perspective, the first step lies in the **reduction of the tax burden**, which is currently one of the heaviest in Europe. The tax burden on construction is overwhelming and directly impacts housing prices. The Government took a first step when exempted young people from paying IMT and Stamp Tax, which measures are already producing positive results, but these are not enough. We need a direct tax relief on all new construction, starting with VAT reduction, which is currently charged at the maximum rate. Let's take the neighbouring countries, such as Spain, France and Italy, as examples. Here the VAT applied to construction is considerably lower. In Portugal, this tax burden affects directly the property's price and increases even more housing end prices.

In a second step, I believe that we must **remedy the licensing chronic problem**. In Portugal, licensing procedures are long bureaucratic and inefficient. Please note that each year that a house is kept pending licensing is one less house available in the market. And few houses in a high demand environment naturally increases the prices, turning the houses into a scarce and expensive commodity, almost like a diamond. We need more swifter and bureaucracy free licensing procedures. This is the only way to free the market and allow construction of more houses fast enough and affordably enough to meet the demand.

Finally, it is essential to **increase availability of public land for construction**. Land is construction raw-material, crucial for real estate developers and investors and, currently, we are undergoing a shortage. The State, with its numerous assets, has a critical role. It is essential to make public land available for affordable housing construction and simultaneously proceed to reconvert useless land, such as, for instance, allocated to offices, and turn it in land to build houses. The Government is working along these lines, but we need to speed up this process to make it a practical and feasible reality.

This can be simply summed up as follows, what I have named **three-step solution for affordable housing in Portugal**, because, in fact, it is simple, we must focus on these three pillars: reduction of construction tax burden, accelerate licensing and increase supply of construction land.

This is how we will create the necessary conditions to build more houses that the Portuguese citizens can pay. If we fail in those areas, we will continue looking on at the degradation of the housing access capability, and that will undoubtedly be a setback for the future of our country.