

New Soil Law: positive but insufficient measure

The recent announcement of the new Land Law marks an important attempt by the government to respond to Portugal's housing crisis. The measure proposes the release of land for construction, transforming rustic soils into urban ones, with the aim of increasing the housing supply in areas of greater demographic pressure.

This law is a step in the right direction, but insufficient if applied in isolation. Despite recognising the importance of this initiative, it is essential to point out that, in isolation, the law will not be able to fulfil the promise of providing affordable housing for the Portuguese.

The main reason is that the housing crisis in Portugal is not just about the lack of land to build on, but also about other structural factors that remain unresolved. From the high tax burden on construction to the long and time-consuming urban licensing processes, the sector faces several obstacles that cannot be ignored or solved with isolated measures.

Portugal is still the country in Europe with the highest tax burden on residential construction. This contrasts with our Spanish neighbours, where VAT on construction is deductible and the rate for the residential market is 10%. In our country we face a VAT rate of 23% to which all other taxes and charges are added, resulting in an effective tax burden of 40% or more... This tax burden is directly reflected in house prices, making them unaffordable for most families. We propose, as we have long advocated, the implementation of reduced VAT or, alternatively, its deductibility, bringing us into line with the practices of other European countries. This change would have a significant impact on construction costs and, consequently, on the final price of houses.

Furthermore, bureaucracy is another major obstacle to the sector. Licensing processes that take five or more years are absolutely incompatible with the urgency of the housing crisis we are facing. Even if we have more land available, houses will continue to come onto the market slowly and at high prices. It is imperative to simplify and speed up licensing processes, especially at local authority level, which plays a crucial role in making projects viable.

Another critical point that deserves reflection is the impact of this law on land prices. Although the transformation of rural land into urban land is positive, there are no mechanisms in the law to control the increase in land prices that could result. It's only natural that owners of land that has increased in value will try to maximise their profits, which could push up land prices in the short term. Without regulation that allows land to be acquired at fair prices, property developers will continue to face difficulties in building affordable homes, even with more land available. Finally, it is necessary to emphasise the limited applicability of this law. Despite being a measure designed for areas with greater housing pressure, such as the metropolitan areas of Lisbon and Porto, its implementation will be negligible in many of these regions. The lack of available land in these cities and the calculation based on medians to define affordable prices are factors that

restrict the measure's effectiveness. In short, this new Land Law is a positive measure, but on its own, it won't have enough impact to solve Portugal's housing crisis. The government needs to go further. It is essential to reduce the tax burden, speed up licensing and regulate land prices to ensure that the Portuguese can actually access the housing they can afford. Without these complementary measures, the new law will only be a palliative in a crisis that requires deep and courageous structural reforms.

Our mission, as a property sector, is to build for the Portuguese. But in order to do that, we need conditions that make this construction viable. The time is critical, and the cost of inaction will be borne by families, who will continue to face prohibitive prices for their dream home.