

The budget we need

The State Budget we all need is the one that will remedy the problems of the non-existent rental market in Portugal. Shall we, once more, year after year, watch a National Budget which, by failing to answer effectively the current rental problem, will just become one more strike against real estate, proprietors, and investors? Businesses and businessmen which have been able to leverage our economy, create and attract wealth, create and maintain jobs, rehabilitate our cities and, specially the proprietors, to maintain, at their expense, many tenants in our country, being forced to take on, with no compensation, the State's social role (which should be the sole responsible for this role).

Entrepreneurs are not, and should not be the usual golden pot of successive State Budgets. They are tired of feeling that this country cannot make any sense in terms of legislative and tax stability and that they are always affected by a increasing and excessive growth of the tax burden for every State Budget coming out.

We mention this issue with regard to recent news on the extension of the old rents standstill period.

This is the third extension and this situation generates a feeling of distrust, brutal anxiety and uncertainty for everybody, both landlords and tenants. First of all, the landlords are denied the use of an asset that is rightfully theirs and investment in its requalification, whereas the tenants shall continue living in dilapidated, unhealthy houses, which naturally cannot be rehabilitated and improved considering the decapitalized landlords are subjected to a huge tax burden, including IMI, AIMI, IRS, and IRC, and all the other taxes and fees of all types and, to top it off, without receiving any rents, or receiving very low completely outdated rents, that often are not enough to even pay the taxes to the State.

That is why, should this momentum with which we disagree at all proceed, we appealed last week for an accountable extension, establishing a final date with a clear pledge not to extend it again.

It is also important to keep in mind that the house rental in Portugal is, mostly composed of micro, small and medium proprietors, who alone cannot create a real, thriving and dynamic long term rental market, capable of answering the huge demand in this area. That is why we say that there is no rental market in our Country.

On the other hand, we are aware of several national and international major players, who intend to execute in Portugal large scale, long term rental projects, and create thousands of houses. Actually we draw attention to the "built to rent" market, which is one of the largest investment dynamics in Europe, where it is blooming, and getting all the attention from investors, funds and pension funds all over the world. And these investors "watch" Portugal, as we have the demand. But, unfortunately, we do not have a stable legal and tax framework, trustworthy and interesting, that will allow them to proceed. Alas, we said and repeated it very clearly: these conditions prevent a "built to rent" market representative enough to become a reality.

One must be adamant: investors do not see in the current legal and tax framework the necessary measures that might motivate them to proceed with new projects. On the contrary, they see a constant assault to investors and, to a large extent, to proprietors. We repeated it before: this type of measures, such as the three extensions of the return to rents' standstill period will only "shrink" the currently already "shrunken" rental market, becoming clear for investors that, with the current legal and tax *status quo*, they will be unable to invest in this activity that is still a high risk activity. In fact, what investors have actually watched is laws upon laws created to freeze rents, coercive property possession, constant attacks to owners and landlords, growing unaccountability of defaulting tenants, doubling taxes such as AIMI... So, the question remains: is the investor looking for such an environment when he decides to enter into a new market segment, or when the proprietor thinks of renting out a property?

Of course not. It is therefore urgent to give credibility and stability to the Lease Act and make this market attractive: ending with the largest tax abomination in Portugal, which is the AIMI, to stabilize its legal regime (which was changed 10 times in the past decade); establishing a regime agreement to steady the tax system, all this under a long term rationale; creating measures that will generate confidence in long term investments; and creating the required conditions for investors to develop their projects with 15year or 20 year terms and changing the course of a model of growing seizure of the Portuguese real estate, but also a model of excessive and growing tax burden on proprietors and still a model acquitting and unaccountability of the defaulting tenant.