



## WHAT TO EXPECT IN THE REAL ESTATE AND URBANISM SECTOR

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A live online conference on the "Impact of COVID-19 on the Real Estate Market", organized by APPII - Associação Portuguesa de Promotores Imobiliários together with Vida Imobiliária, took place on March 17<sup>th</sup>, 2020, with the participation of José Cardoso Botelho, Managing Director of Vanguard Properties, Hugo Santos Ferreira, Executive Vice-President of APPII, Pedro Vicente, Board Member of Habitat Invest, Ricardo Sousa, CEO of Century 21, José Araújo, Director of the Specialized Credit and Real Estate Department of Millennium BCP and Ricardo Veludo, Municipal Councillor for Urbanism of Lisbon's City Hall (CML).



Within the scope of this conference, benefiting from the various participations of people and entities actively present in the Portuguese real estate market, it was concluded that today this was a market better prepared for a crisis than in 2008, benefiting from a greater capacity to deal in the short term with the pandemic phenomenon we are experiencing, because it is much more professionalized, modern and prepared to face the challenges of the digital age.

Naturally, the immediate effect of the pandemic will certainly be to reduce property prices, but it is believed that the sector will have the capacity to react and to get back on its feet in about 10 weeks, promoting the return of the property market to normal.

Also - as it has been noted - we cannot be unaware of the fact that the real estate market in Portugal is strictly linked to the Tourism market, which is in direct and objective decline, with immediate reflexes, and with future reflexes with all certainty on real estate.

In this area of Tourism, small hotels and local accommodation will certainly suffer the impact of this virus, as they do not rely on the financial capacity of large international chains. This is where the window of long-term rental can be reopened, and new opportunities can be found.

There has indeed been a slowdown in international investment, and reference has been made to the fact that some operations are now suspended but not cancelled. It is expected that this "suspension" period will last no more than 2 to 3 months. It was unanimous opinion that the real estate market will recover by the end of the year.

This recovery will not be unrelated to the fact that the Banks themselves are now also better prepared to face a crisis, as a result of the care they have had to take, and are also more capitalized than in 2008 to be able to react.

As necessary measures to stimulate and recover the market, the need to lower the rate of VAT in construction to 6% was mentioned, as well as the need to reduce the time for appraisal and licensing of projects in the chambers, which have recently worsened in some municipalities.

At this moment, and pending the State of Emergency declared last Wednesday, March 18th, which came into force at 00.00h of March 19th, along with others that had already been adopted in other areas, in the Real Estate, Construction and Urbanism sector, the following measures should be taken into consideration in the near future.

Under the terms of **Decree-Law no. 10-A/2020, of March 13<sup>th</sup>**, with the subsequent ratification of **Law no. 1-A/2020, of March 19<sup>th</sup>**:

## 1. CONCERNING THE RULES OF PUBLIC CONTRACTS

- The choice of direct agreement procedure for the conclusion of public works contracts, contracts for the lease or purchase of movable property and for the purchase of services, regardless of the nature of the contracting authority, to the extent strictly necessary and for reasons of extreme urgency.
- Contracts concluded pursuant to the above acts and within the framework of the Law of Organization and Procedure of the Court of Auditors (Lei de Organização e Processo do Tribunal de Contas) may be fully effective before the approval or declaration of conformity to be issued by that authority, in particular with regard to payments to which they give rise.

- To the public procurement procedures carried out during this period, the following expenditure commitment rules apply exceptionally:

- a)** Requests for authorization from the financial and sectorial tutelage, when required by law, shall be considered tacitly granted, in the absence of pronouncement, as soon as 24 hours have elapsed after remittance, by electronic means, to the respective public entity with competence to authorize them;
- b)** Acquisitions made under the scope of this Decree-Law are considered to be justified for the purposes of the requests for authorization referred to in the preceding paragraph;
- c)** Multiannual expenses resulting from this Decree-Law shall be tacitly granted if, after submission of the request for authorization by means of an ordinance of extension of charges to the Government member responsible for finance, the same does not receive an order of rejection within three days, and the Government member responsible for the sector area shall be responsible for the normal publication procedures;
- d)** Budgetary changes involving reinforcement, in return for other headings of actual expenditure, are authorized by the Government member responsible for the respective sector area;
- e)** In duly justified cases, when it is necessary to discourage funds in order to comply with the objectives established in this decree-law, it shall be considered tacitly granted as soon as three days have elapsed after the submission of the respective request.

## 2. WITH REGARD TO PLEADINGS AND PROCEDURAL ACTS AND DILIGENCES

- To the pleadings and procedural acts that must be performed within the scope of the proceedings and procedures, which run under the terms of the judicial courts, administrative and tax courts, Constitutional Court, Court of Auditors and other jurisdictional bodies, arbitration courts, Public Prosecutor's Office, small claims court, alternative dispute resolution entities and tax enforcement bodies, the judicial vacation regime shall apply until the cessation of the exceptional situation of prevention, containment, mitigation and treatment of epidemiological infection by SARS-CoV-2 and COVID-19 disease, as determined by the national authority of public health.

- The exceptional situation also causes the **suspension of limitation and prescription periods** for all types of proceedings and procedures.

- The provisions of the preceding paragraph shall take precedence over any arrangements which lay down maximum periods of limitation or prescription, which shall be extended by the period of time in which the exceptional situation applies.

- In urgent cases, time limits shall be suspended except in the following circumstances:

**a)** where technically feasible, any pleadings and procedural acts shall be allowed to be performed by appropriate means of remote communication, such as teleconferencing or video calling;

**b)** only acts and urgent procedures involving fundamental rights shall be carried out in person, in particular procedural steps relating to minors at risk or to educational protection procedures of an urgent nature, diligences and trials of imprisoned defendants, provided that they do not involve the presence of more people than envisaged by the recommendations of the health authorities and in accordance with the guidelines laid down by the competent Supreme Councils.

- The suspension of time limits shall also apply to:

**a)** procedures that run on notary and registry offices;

**b)** misdemeanor, sanctioning and disciplinary procedures, and their acts and diligences in terms of direct, indirect, regional and local administration services, and other administrative entities, namely independent administrative entities, including the Bank of Portugal and the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM);

**c)** administrative and tax deadlines that run in favour of private individuals (relate only to acts of judicial challenge, free complaint, hierarchical appeal, or other procedures of the same nature, as well as deadlines for the practice of acts under the same tax procedures).

- The eviction proceedings, the special eviction proceedings and the proceedings for delivery of leased immovable property are also suspended, when the tenant, by virtue of the final judicial decision to be rendered, may be placed in a situation of fragility due to lack of own habitation.

- The time limits of tacit approval by the administration of authorizations and licenses required by private individuals, prior hearings and delivery of items shall be suspended.

- Also suspended are the time limits during which the administration tacitly grants authorizations and licenses, even if not requested by private individuals, within the scope of the environmental impact assessment.

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### 3. REGARDING THE OPERATION OF LOCAL AUTHORITIES

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- The ordinary meetings of the deliberative and executive bodies of the local authorities and of the intermunicipal entities foreseen for the months of April and May can take place until 30 June 2020.

- The obligation to hold the meetings of the deliberative and executive bodies of the municipalities and parishes and the deliberative bodies of the intermunicipal entities in public, as provided for in Articles 49, 70 and 89 of the legal regime of local authorities, approved in annex to Law no. 75/2013, of 12 September, shall be suspended until 30 June 2020, without prejudice to their recording and placing on the local authority's electronic site whenever technically feasible.

- Without prejudice to the foregoing measures, until June 30, 2020, the meetings of the deliberative and executive bodies of the local authorities and intermunicipal entities may be held by videoconference, or other digital means, provided that there are technical conditions for this purpose.

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### 4. WITH REGARD TO LEASES

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- Until the cessation of measures to prevent, contain, mitigate and treat the epidemiological infection by SARS-CoV-2 and COVID-19 disease, as determined by the national authority of public health, is suspended:

**a)** The effects of termination of housing leases and not housing made by the landlord;

**b)** The foreclosure of a mortgage on a property that is the property of the executed's permanent residence.

As a way of making the measures implemented compatible, similarly to the Lisbon's City Council, other municipalities and public bodies have already begun the procedure for reorganizing the urban control and licensing processes.

These are measures aimed above all at protecting the health of citizens, in the situation of the COVID-19 pandemic, but also at maintaining the response to citizens, the real estate sector and the construction sector, supporting the functioning of the national economy, as is required in a situation such as the one we are experiencing.

Contacts with the services, namely to obtain clarifications, deliver documentation, submit requests, among others, should preferably be made through e-mail.

The intention is undoubtedly to maintain the response to citizens, with the necessary adaptations and constraints inherent to teleworking and non-presential service provision.