



Portugal : An Introduction

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Planning Overview for Portugal – 2011

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The situation of the Portuguese Planning activity (meaning the sector in which the definition of the rules applicable to land use is carried out) has been significantly affected by the current economic backdrop. The delay in the upturn of the real estate sector has clearly been refraining private investment in the Planning area, and the shortage of municipal funds does not allow local governments to assume entirely the actions needed.

However, these specific circumstances can also be an excellent opportunity to prepared and informed investors. As it is commonly known, every economic cycle – whether positive or negative – generates good opportunities, and success will be for those who can identify such opportunities and follow their path.

It is true that the Portuguese Planning activity is not in full bloom, but it also is possible to observe some trends and market “niches” in the real estate sector that can boost a new phase of development and of the markets. Urban Renewal, Building Renovation and Tourism are three main areas of investment in Portugal identified as vital to the economic growth of the country. Committing to them at an earlier stage – the planning stage – is, therefore, guaranteeing half the way to a successful business.

In addition, the strategic link Portugal has with the Atlantic Ocean has been highlighted as a renewed approach on how to deal with our international affairs. Having an obvious impact in territorial organization – with port management and coastline planning –, this will be a new opportunity to enhance maritime planning and develop different forms of business around water/energy resources and port activities.

The legal environment is also expected to follow these trends, although the first semester of 2011 did not bring relevant changes. Various laws and regulations to promote urban renewal/building renovation were already approved in March, and specific procedures will be created to encourage private investment in building renovation, all in line with the Memorandum of Understanding (MoU) that followed the Portuguese bail-out request to the EU. The MoU states that Portugal should adopt

new rules to ease administrative procedures for renovation, considering especially the housing lease market entropies.

In another context, the Land Act amendment is also ongoing and is expected in the near future. The obsolescence of this law, which came into force in 1976, was requiring a structural revision for a long time now, and the new framework that is now being prepared will provide public authorities with the right tools to fight issues like speculation, urban sprawl and housing problems.

Another relevant fact for 2011 is the revision of the 1994 Lisbon's Municipal Master Plan (Plano Director Municipal, or PDM), already well under way, and with its final approval being expected by the end of this year. Lisbon's PDM contains the major rules applicable to the Capital land use, and its current revision aims at converging with the main principles of land management of historical cities, promoting building renovation/revitalization of the city center and discouraging urban sprawl. The richness of Lisbon's historical building heritage along with the urgency of a qualified intervention, clearly recommend investors interested in the Lisbon Building Renovation market to closely follow this revision procedure and understand its goals, thus creating a significant competitive advantage and assuming a leading position in this specific market.

All these circumstances are clearly opportunities in the Portuguese market that investors should not discard. But investor should also bear in mind that the Portuguese legislation allows for private entities actively taking part in the Planning activity, under Planning Agreements establishing regulating a close collaboration with the municipal entities and providing the investors with mechanisms of control in respect of timing and contents of the relevant plans . In addition, the increase of the municipal autonomy towards the central government in respect of planning has also created a broader space for dialogue with private players, enhancing the usefulness and the relevance of planning agreements.

The role of Planning should not be overlooked: being a vital step in land/water development, it shapes the way territorial management is achieved and provides the techniques to overcome problems in land use. Therefore, the first step of any business strategy in Portuguese economic sectors like Real Estate, Tourism and Water/Energy Resources should be knowing the planning environment and eventually playing an active role on it by entering into planning agreements designed to accommodate the envisaged investment. The attitude needed is simple and standard: be alert, focused and proactive, know the law and the deadlines and how to react to inefficiencies, ask for specialized advice and, above all, think ahead. In Portuguese Planning there is much more in the hands of potential investors that one could think of: there are real opportunities by taking part in the Planning activity, contributing to a better balance between public and private priorities

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