



**Caixa Geral  
de Depósitos**

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**Country Pilot Cases: ongoing reforms in the Real Estate Sector, challenges and the relevance of “*POLICY FRAMEWORK*”**

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Mortgage and Real Estate Department

Cannes, 10 March 2011



# Agenda

*1. Portuguese Real Estate and Mortgage Market*

*2. Legislative changes that allowed the simplification of real estate transactions*

*3. Challenges and the relevance of the *Policy Framework for Sustainable Real Estate Markets**



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*1. Portuguese Real Estate and Mortgage Market*

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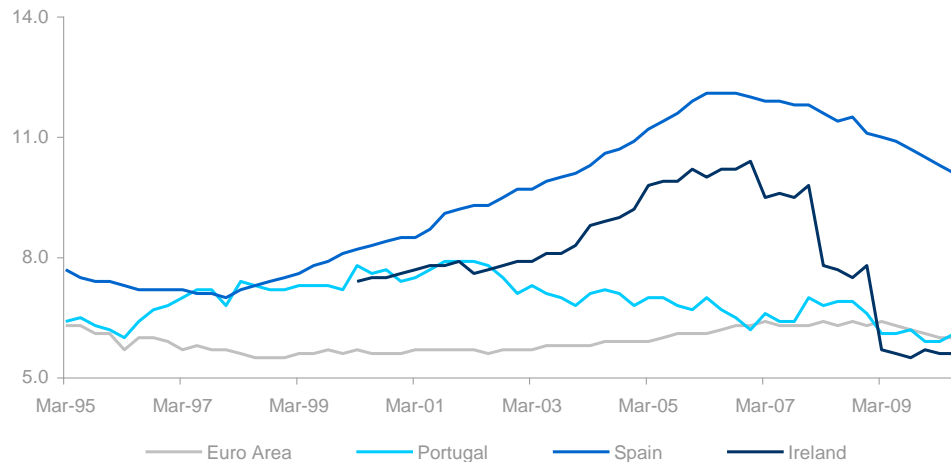
## Housing market: No boom, no bust

### Activity levels were low

Having had a period of somewhat stronger growth in the '90s, Portugal's housing market had a very lacklustre performance throughout the last decade, with no signs of a bubble.

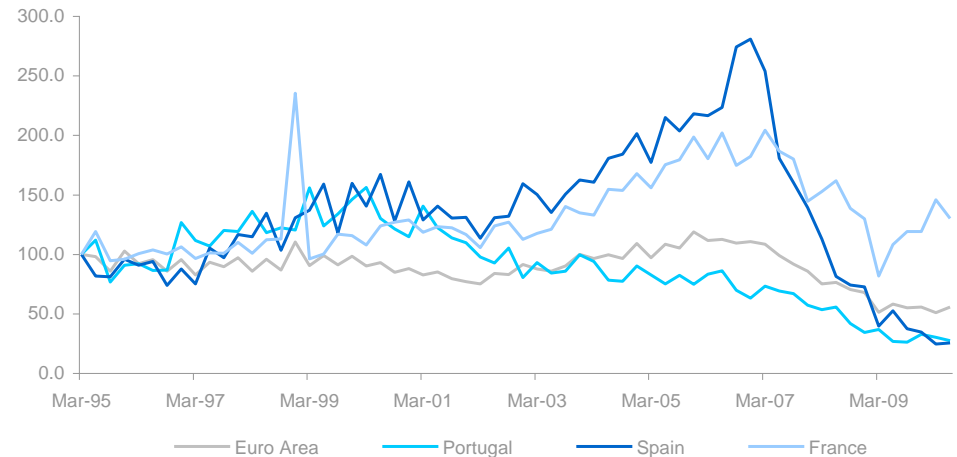
The weight of the construction sector in the whole economy is very small, and the number of building permits granted minimal. Both metrics are in line or below Euro Area levels.

Construction - as a % of GVA



Source: Eurostat

Building Permits (1Q 1995=100)



Source: Eurostat



## Housing market: No boom, no bust

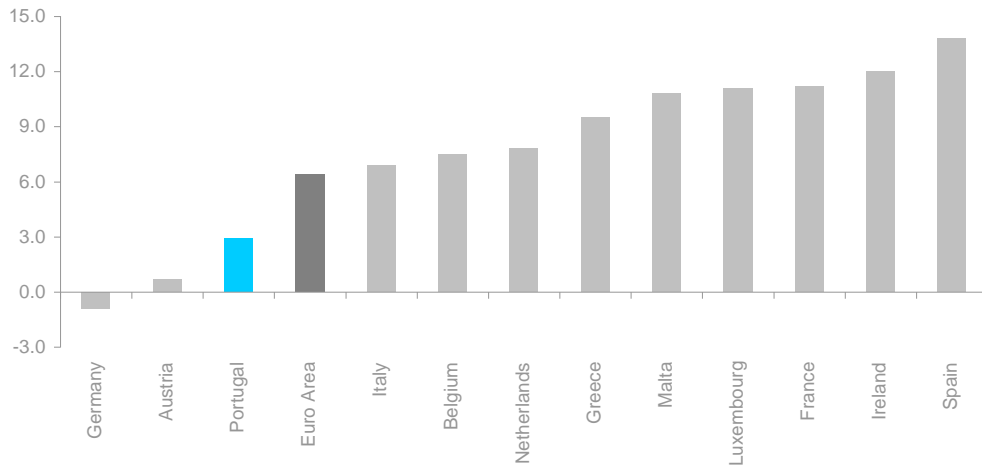
### Price increases were very modest

The dismal performance of the Portuguese housing market can also be seen at the price levels. Unlike countries like Spain, Ireland or France, the average annual price increase was very low.

If adjusted for inflation, real price change has in fact been slightly negative in several years.

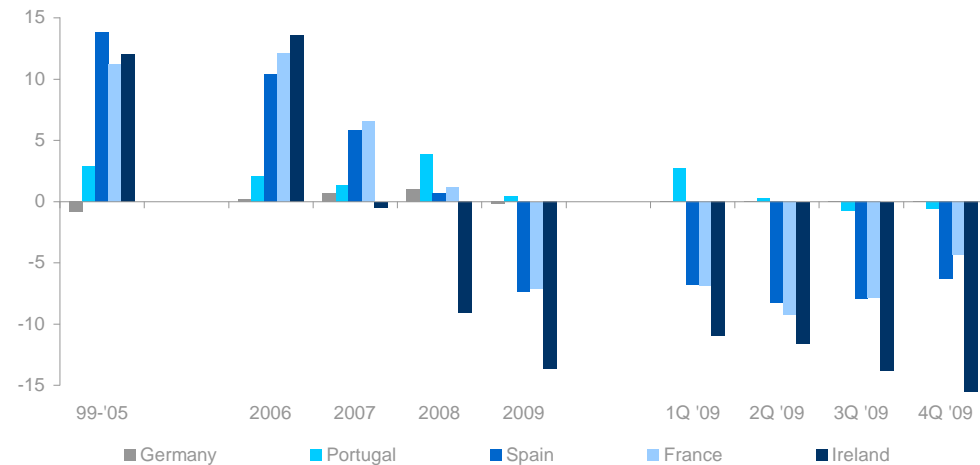
Hence, when a severe correction started in those countries, Portugal did not experience one.

House Prices - Average Annual Change 1999-2005 (%)



Source: ECB

House Prices - Recent Developments (YoY%)



Source: ECB

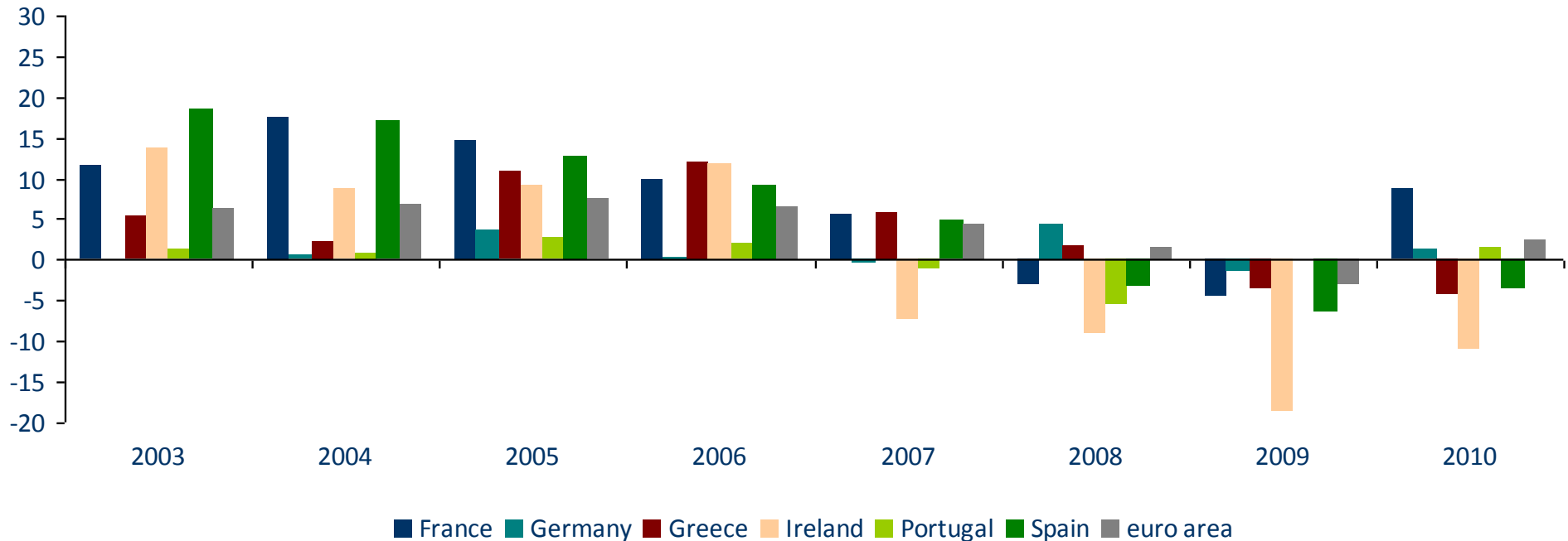
Note: Quarterly data is not available for Germany.



# Housing market: No boom, no bust

## Stabilization in Portuguese house prices in a non speculative market

Nominal House prices  
Annual Changes %

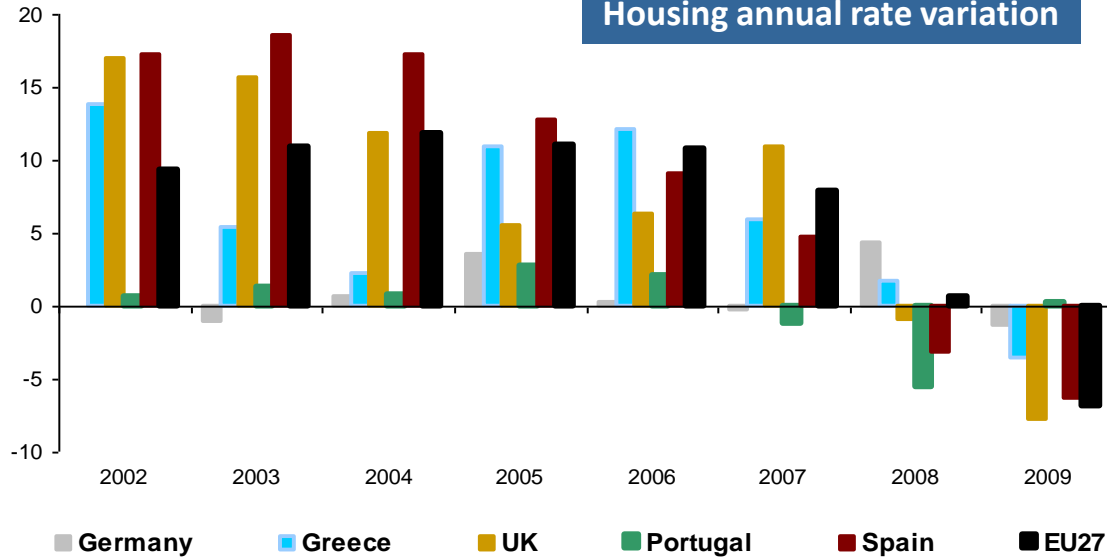




# Housing market: No boom, no bust

## Price increases were very modest

Housing annual rate variation

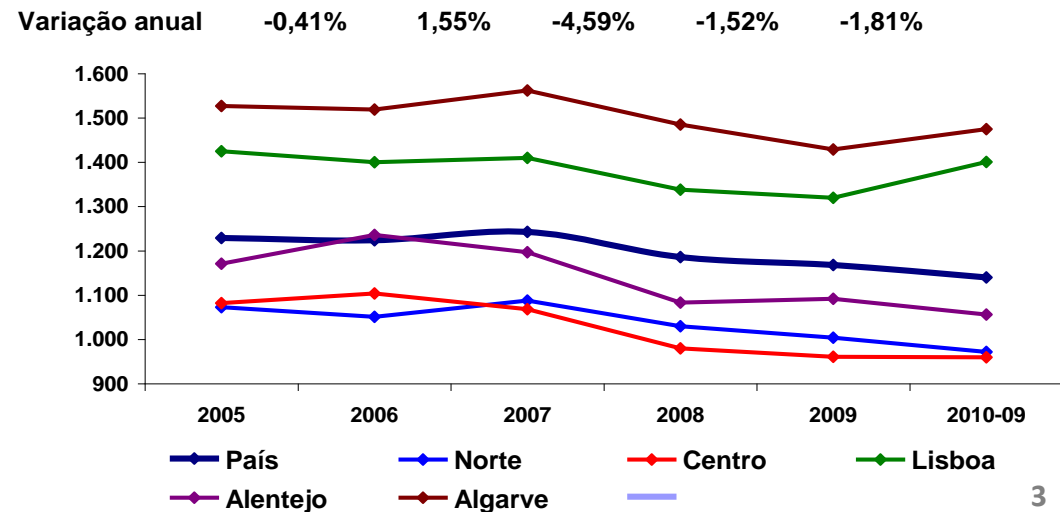


In most EU countries, housing price adjustment has not yet reflected the lower market dynamic.

Average value per sqm – Housing assessment in Mortgage Loans

In Portugal, the average bank valuation has been slowly decreasing, as a result of the deceleration in housing market and the reduction of the consumers trust level

Housing bank valuation  
Average value per sqm





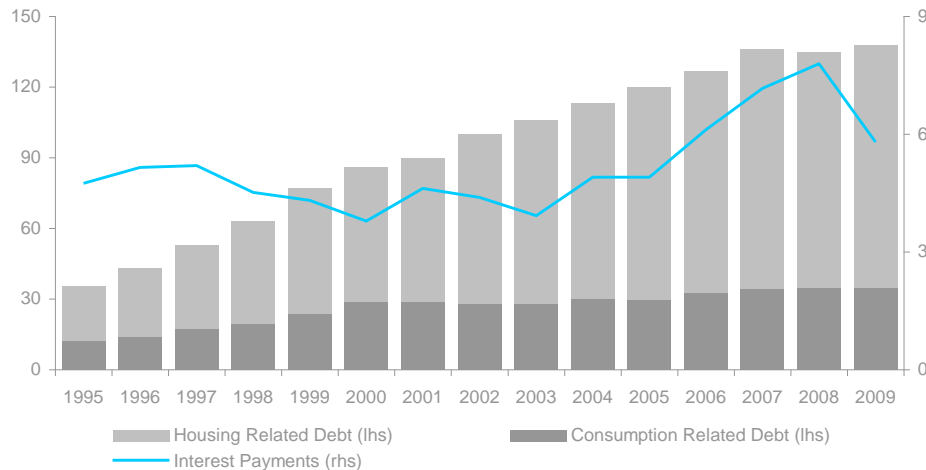
## Housing market: No boom, no bust

### Fundamentals are supportive

Despite the increase in households' indebtedness, this was channelled to the acquisition of house, taking advantage of the structural reduction in interest rates that took place in the convergence process towards and accession to EMU, thus greatly reducing the risk of this leverage levels.

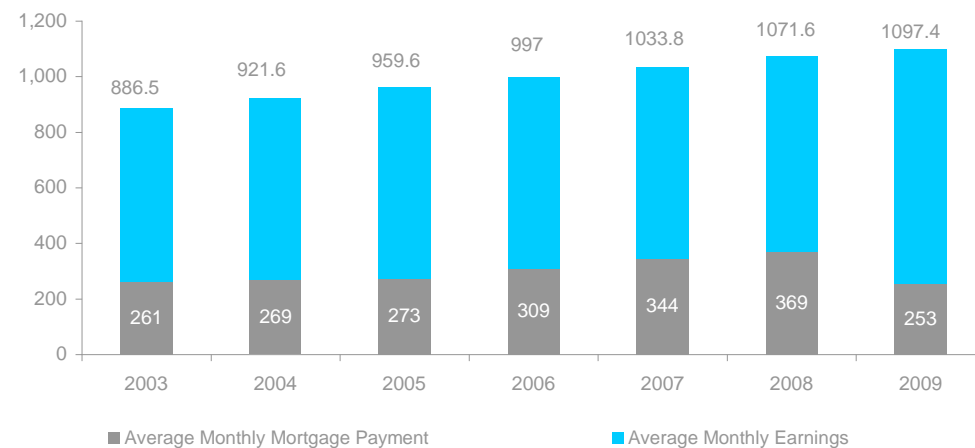
In addition, interest payments remained contained (due to the low interest rates level), as it was also the case for total monthly mortgage payments, which are a fraction of monthly earnings.

Housing Financial Indebtedness (as a % of Disposable Income)



Source: Banco de Portugal

Portugal: Average Monthly Earnings vs. Average Monthly Mortgage Payment (€)



Source: INE, MTSS





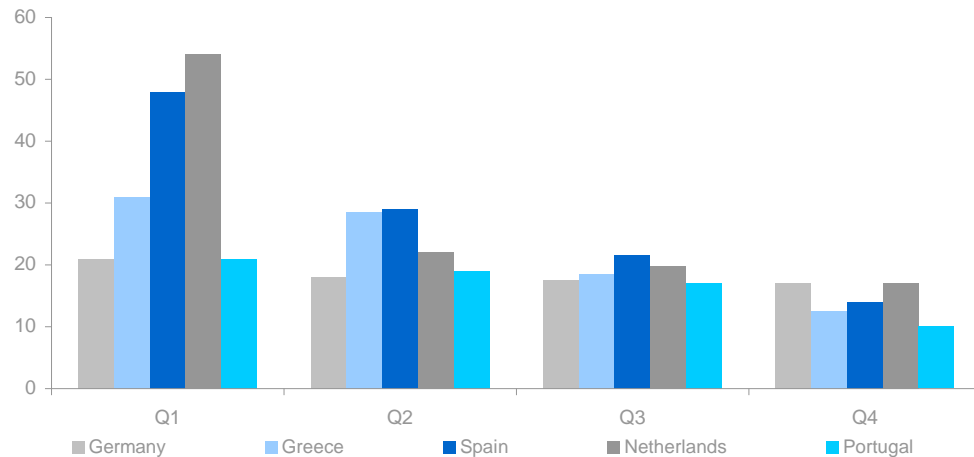
## Housing market: No boom, no bust

### Fundamentals are supportive

Furthermore, the mortgage debt service by income quartile is low in all brackets if compared with other European countries. The % of dwellings with a mortgage loan for lower income households is also very low (ca. 20%, vs. 39% for middle class and 50% for upper class. The total is only 30%).

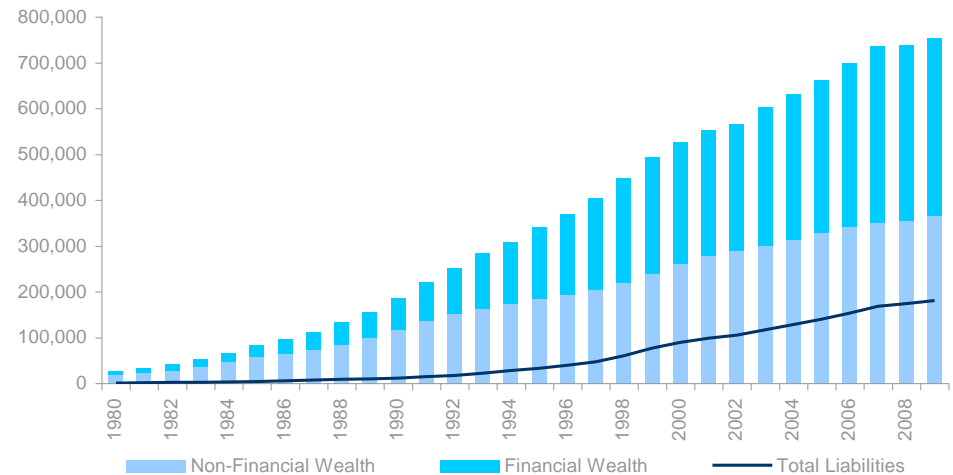
Moreover, the level of households wealth provides a substantial cushion. It is more than four times higher than the level of debt, balanced between financial and non-financial wealth.

Households' Mortgage Debt Service by Income Quartile (% of Disposable Income)



Source: INE, ECB

Portugal: Households Wealth and Liabilities (million €)

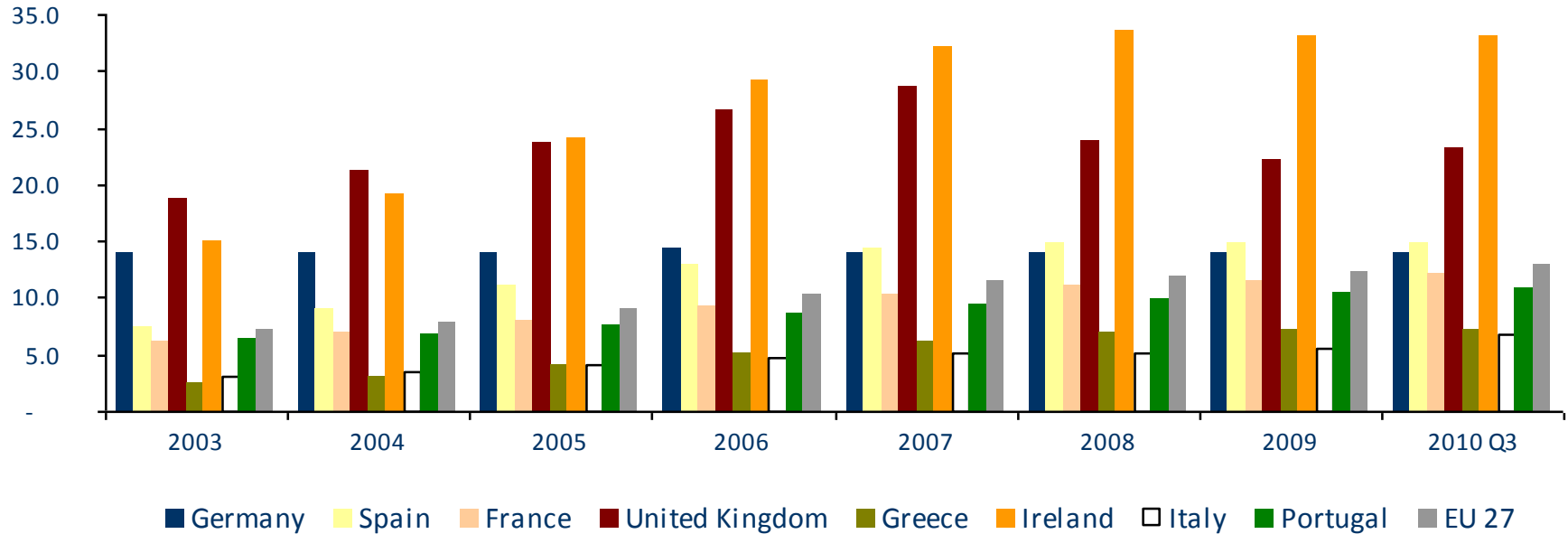


Source: Banco de Portugal

# Housing market: No boom, no bust

## Residential mortgage debt per capita in Portugal below EU 27 average

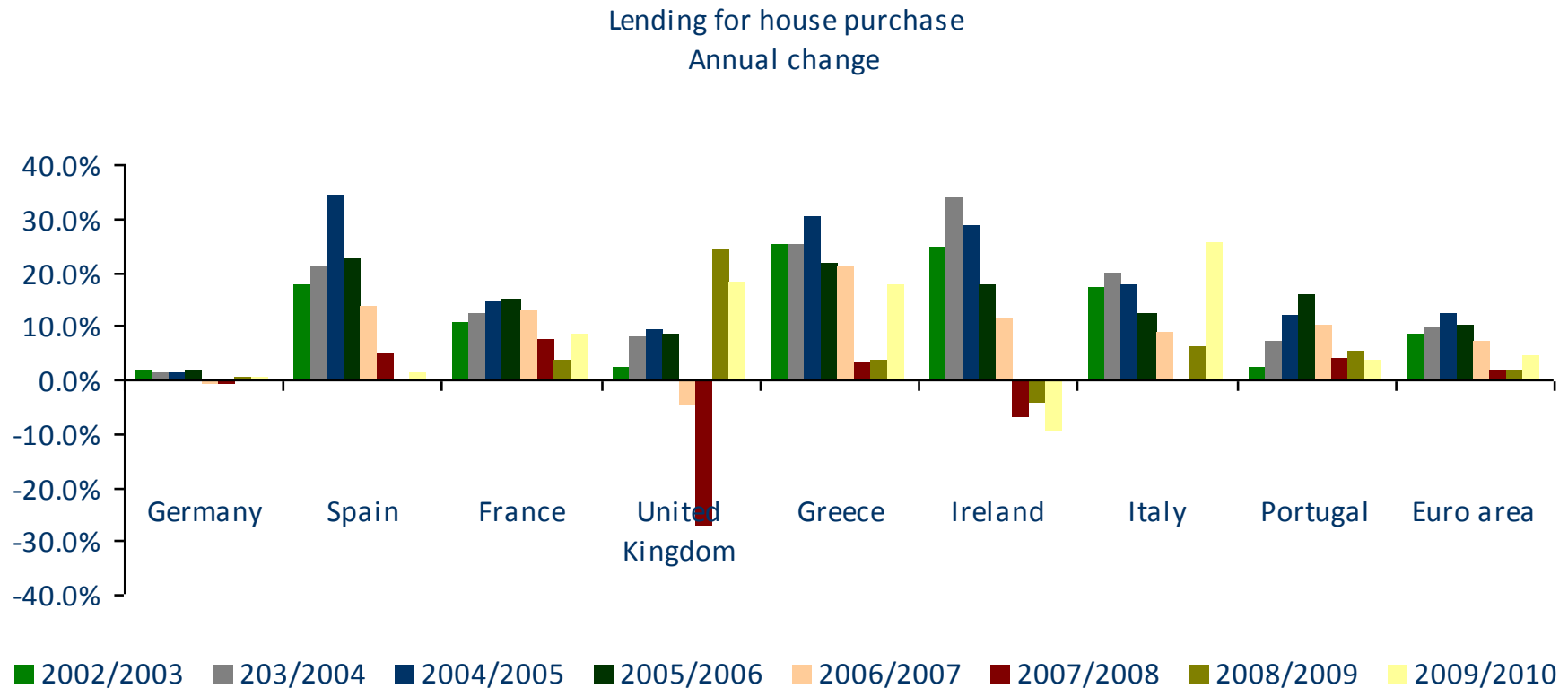
Residential Mortgage Debt per Capita





# Housing market: No boom, no bust

## Non-speculative environment in Portugal, with moderate changes in lending for house purchase, before the sub-prime crisis

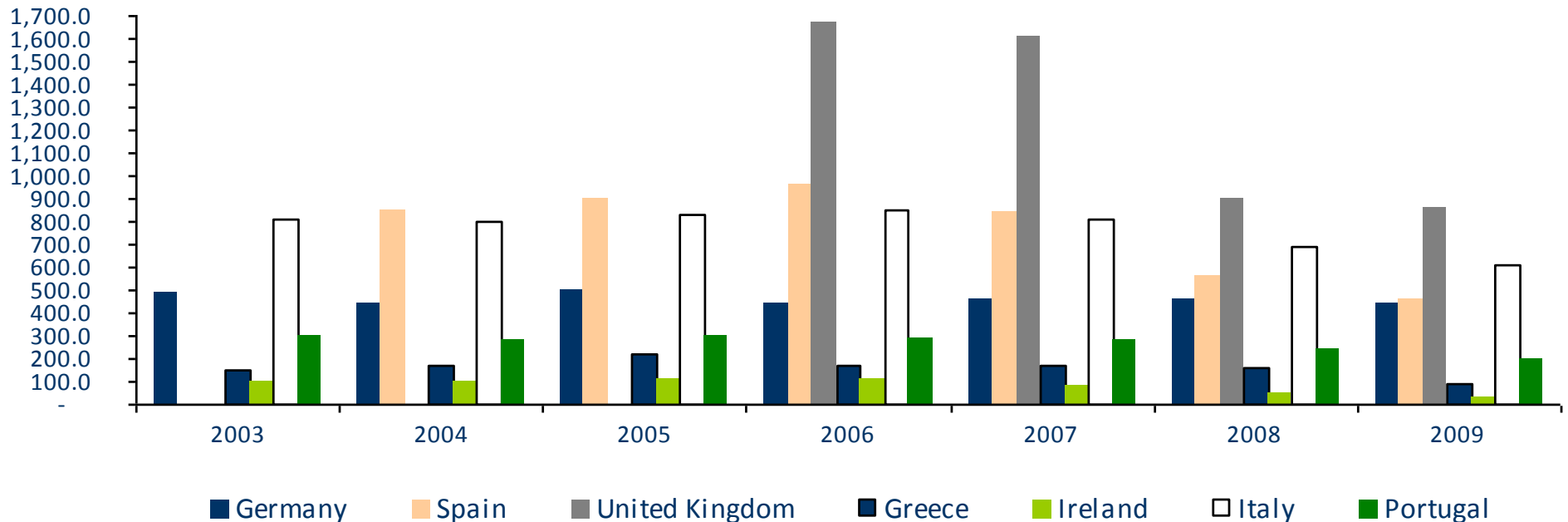




# Housing market: No boom, no bust

## Inexisting bubble in mortgage market is shown by the transactions evolution in Portugal

Number of transactions

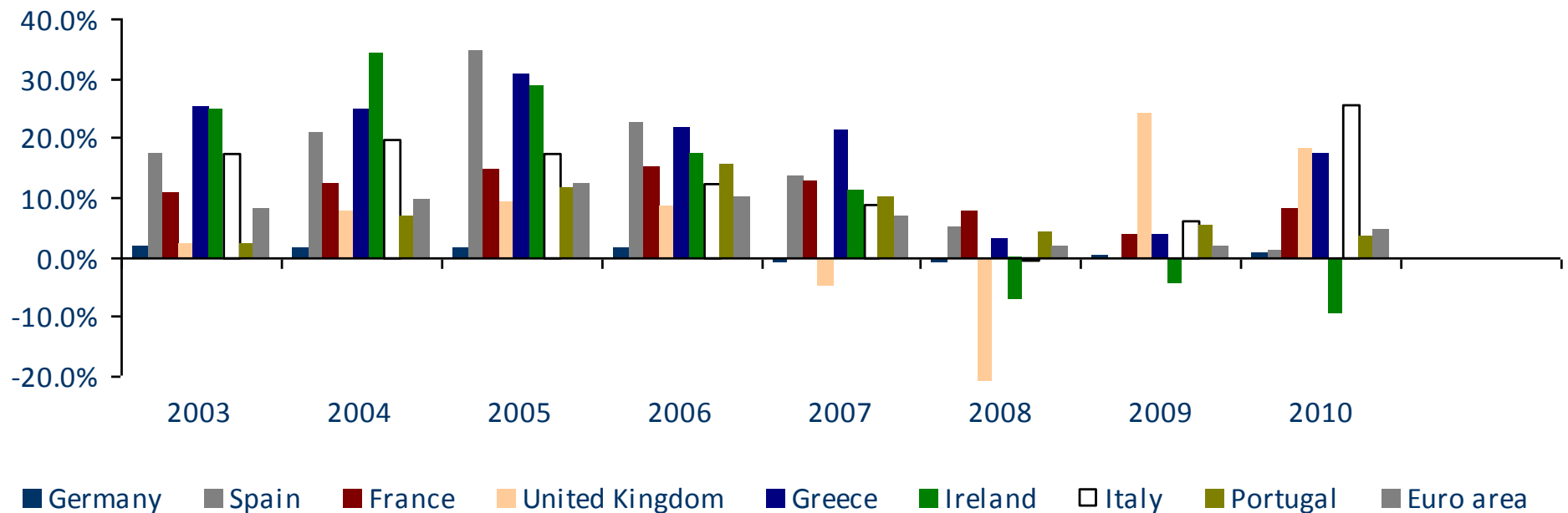




# Housing market: No boom, no bust

## Stabilization in Portuguese lending for house purchase

Lending for house purchase  
Annual change

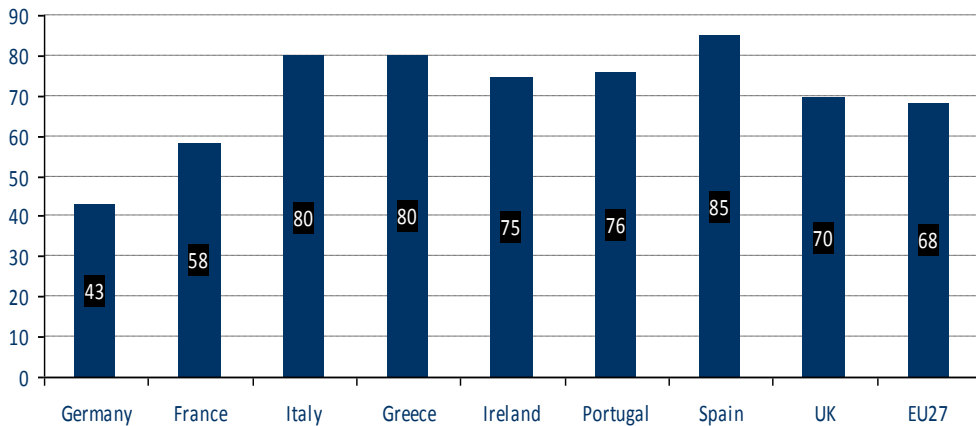




## Housing market: No boom, no bust Fundamentals are supportive

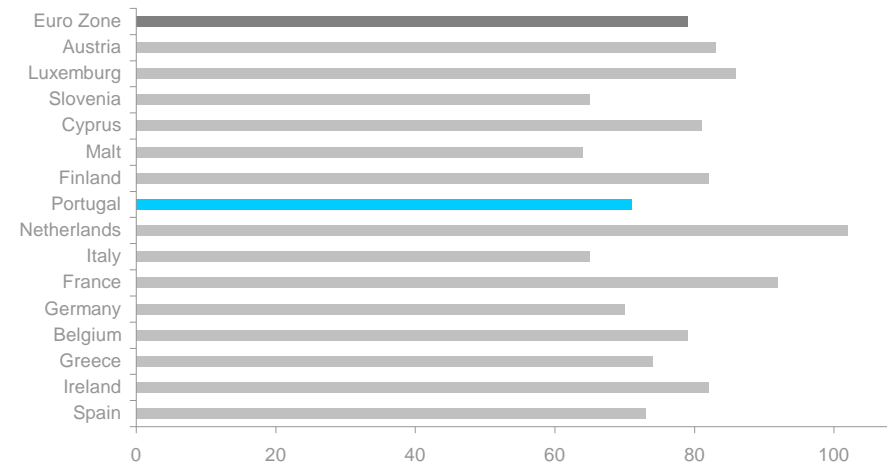
The structure of the Portuguese housing market is one where, giving the inefficiencies of the rental market, most loans are for owner-occupied, first residence properties.

Owner occupation rate %



In addition, the loan-to-value is smaller than in many other European countries.

Mortgage Loans: Loan to Value (%)

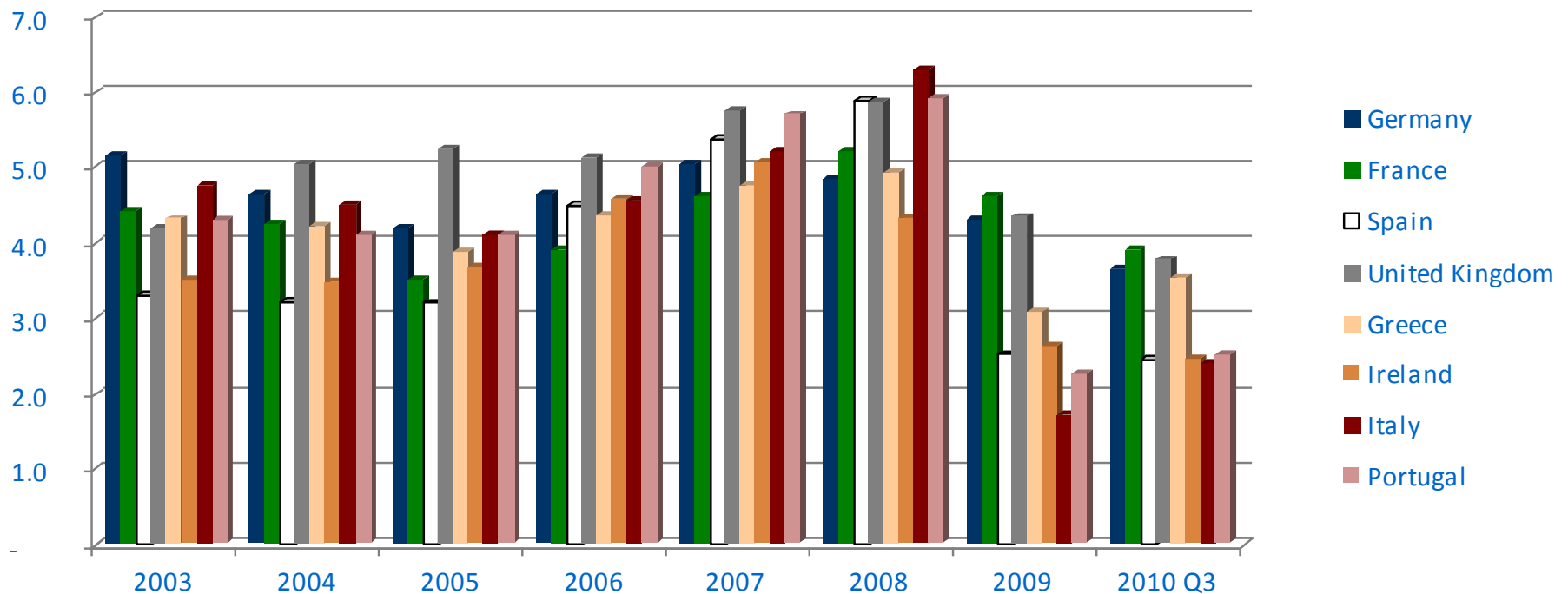


Source: ECB



## Decreasing rates in new mortgage loans appear to benefit performing loans in Portugal

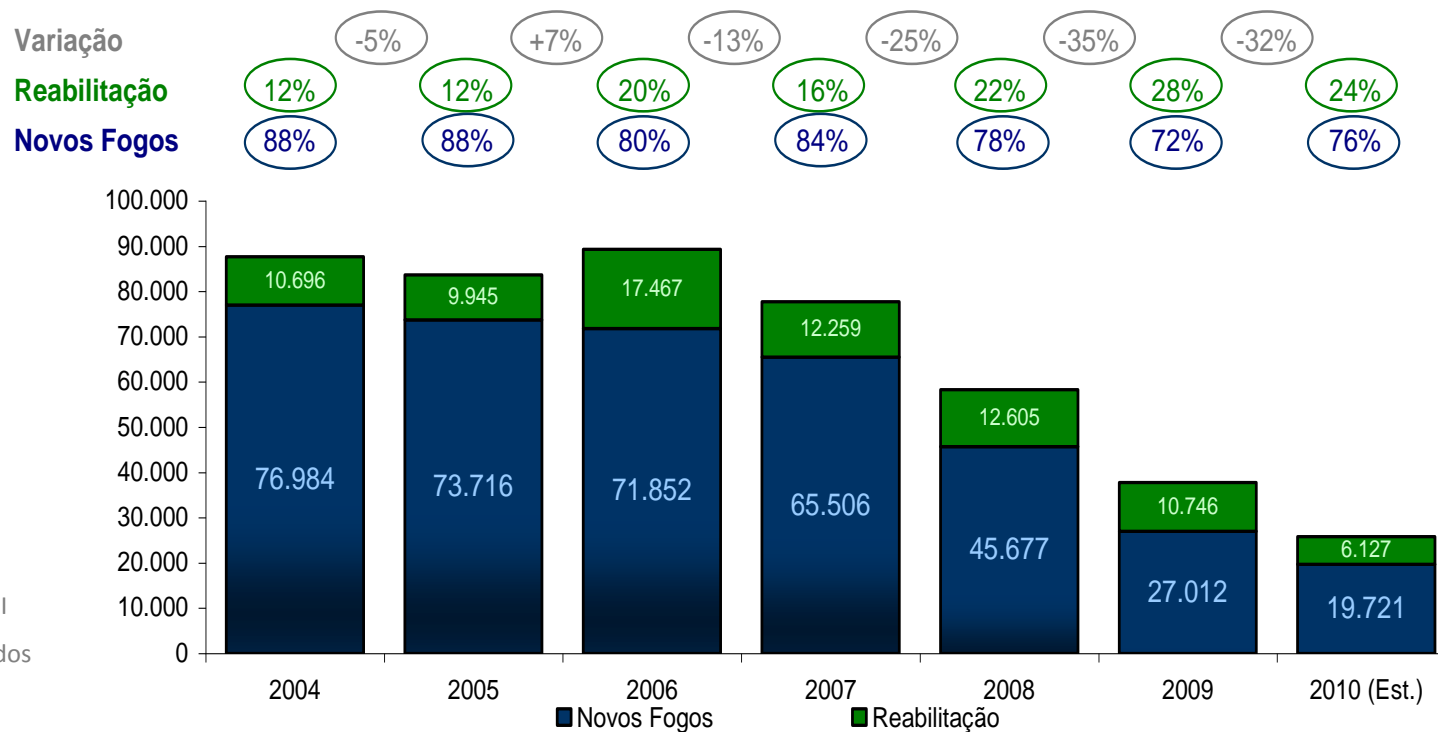
Representative interest rates on new mortgage loans %



## Paradigm shift

Since 2006, the number of permits and new residential properties brought to market have been decreasing gradually

### Residential building permits

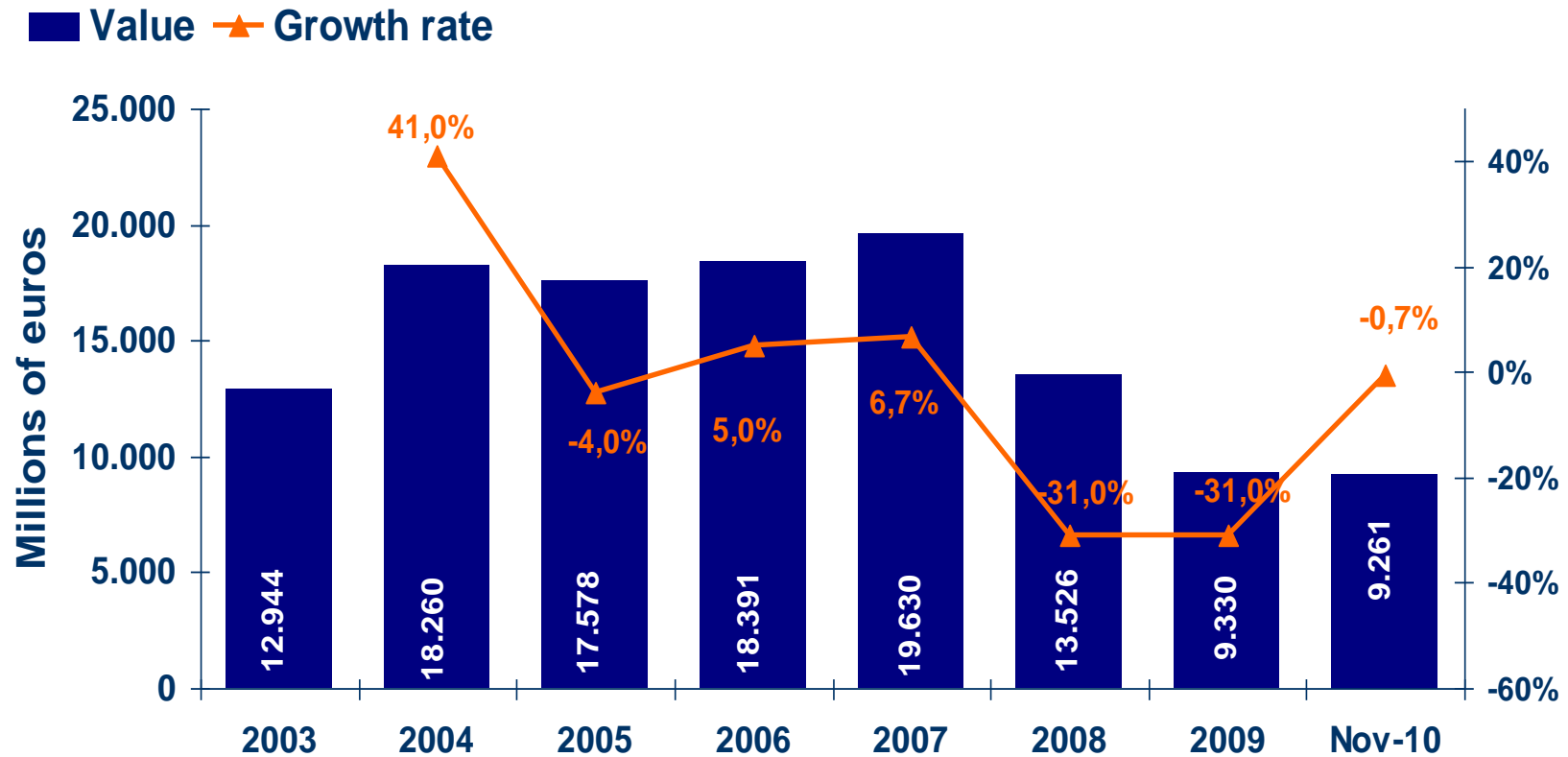


Fonte: INE – análise DFI  
Dados de 2010 estimados





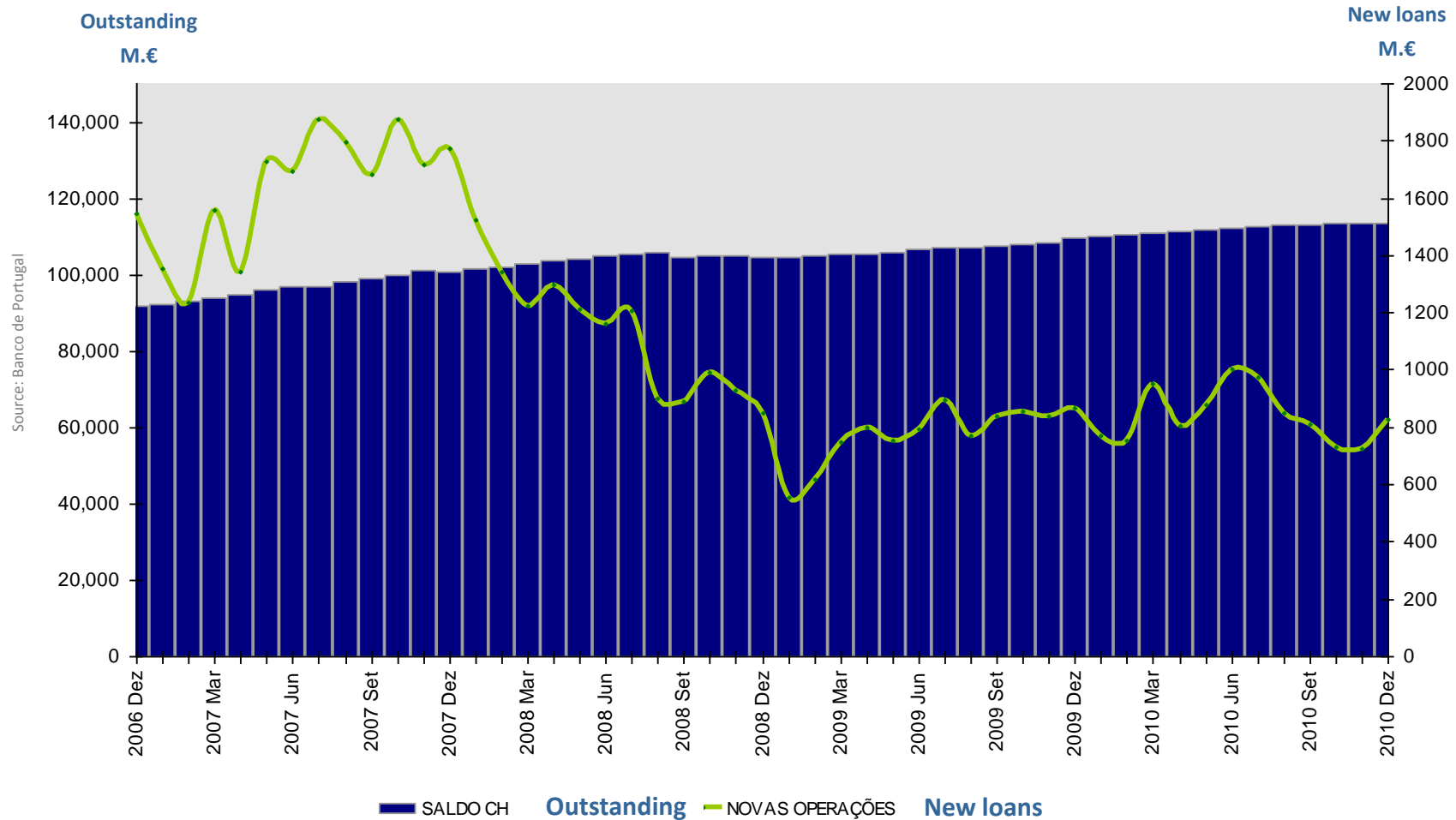
## New Mortgage loans production in Portugal



Source: Banco de Portugal



## Mortgage demand in a mature market



Stabilization in Mortgage loans demand after a downturn caused by economic environment since 2008



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## “Casa Pronta” Service



“Casa Pronta”, created by Decree-Law nº 263-A/2007, of 24 of July, is the service that allows the immediate implementation of all operations necessary for the transmission of a building in a single point of service, faster, simpler, cheaper and safer.

The launch of this service is intended to reduce the bureaucratic burden implicit in a process that affects the lives of many citizens and investors.

The service can be used to buy a property, with or without bank financing, in the following matters relating to urban property:

- Buy and sell;
- Mortgage;
- Credit transfer;
- Mutual and other credit agreements and financing agreements celebrated by credit institutions



## “Casa Pronta” Service



With “Casa Pronta”, all operations are performed in a unique transaction place:

- 1 Settlement and payment of the IMT and the Stamp Tax;
- 2 Celebration of the sale contract;
- 3 Achieving the required records (eg. buy and sell, mortgage);
- 4 Submission of the tax change of address;
- 5 Getting from the Municipalities the house plans;
- 6 Delivery of the request for exemption of payment of Property Tax (IMI);
- 7 Submission of the declaration for registration or updating of urban property in the array.



## “Casa Pronta” Service



With “Casa Pronta”, are eliminated several certificates:

Land registry certificate

Certificate of incorporation

Certificate of civil registration

Clearance certificates relating to the exercise of legal right of preference



## “Casa Pronta” Service



With “Casa Pronta”, the players can choose one of the following ways

### Without appointment

The buyer and seller went directly to the counter of a conservatory / citizen shops and opting for pre-approved contracts

### With previous appointment

Buyer and seller are free to choose what intend to enter into contracts

The date of completion of the deal is scheduled for a date within 5 working days after the request. Can only be at a later date if this is the will of the citizen. The documents submitted by interested parties must be available at least 3 working days before the scheduled date.



## “Casa Pronta” Service



From now on, the seller of the house only has to insert the following data on the site [www.casapronta.mj.pt](http://www.casapronta.mj.pt):

- Identification of the seller and buyer
- Identification of the building
- Price sale

Then simply proceed to payment by ATM or Homebanking of 15 € + taxes (amount to be deducted from the total amount paid for the service).

With no need to communicate to several different public entities, for different forms, the sale of the house.

Ten days later we may conclude the business if none entity express intention to exercise the right of first refusal on the same place, information that can be verified on site by the conservatory and the seller.





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## “Casa Pronta” Service



The site [www.casapronta.mj.pt](http://www.casapronta.mj.pt) provides an online electronic certificate, constantly updated, which contains all the records in place and details of presentations pending registration relating to a building.

Banks and financial societies have access to this service, and can ask the online certificate electronically. It is therefore waived the presentation of provisional registration of purchase and mortgage.

The screenshot shows the 'casa pronta BANCOS' website interface. At the top, there are navigation tabs for 'PROCESSOS CASA PRONTA' and 'PEDIDOS DE CERTIDÃO ONLINE'. Below the tabs, there is a link to 'pedidos de certidão online' and a 'novo pedido' button. The main section is titled 'Novo Pedido' and includes instructions: '\* campos de preenchimento obrigatório' and '\*\* pelo menos um dos campos é de preenchimento obrigatório'. The form is divided into two sections: 'Dados do Requerente' and 'Dados do Imóvel'. In the 'Dados do Requerente' section, there are input fields for 'Nome do Requerente\*' (containing 'Entidade Bancária'), 'E-mail do Requerente\*\*' (containing 'JOSE.SIMIAO@NOVAB'), and 'Telefone do Requerente\*\*'. In the 'Dados do Imóvel' section, there is a green warning box that reads: 'A falta da indicação do nº da descrição, em livro ou ficha, pode atrasar ou inviabilizar a satisfação do seu pedido.' At the bottom, there is a note: 'Registada na Conservatória\*\*'.



## “Casa Pronta” Service - Advantages

### Simpler and faster

All acts are performed in a single point of service

Acts and formalities have been eliminated as useless

Enables electronic communications between registries, banks and municipalities



### Safer

With the online certificate and because the deal is concluded in the conservatory, the situation of the property is accurately known at the time of purchase and sale;

Acts and formalities have been eliminated as useless

### Cheaper

Sale and purchase mortgage: €600,00 + taxes

Compra e Venda com mútuo: €300,00 + taxes



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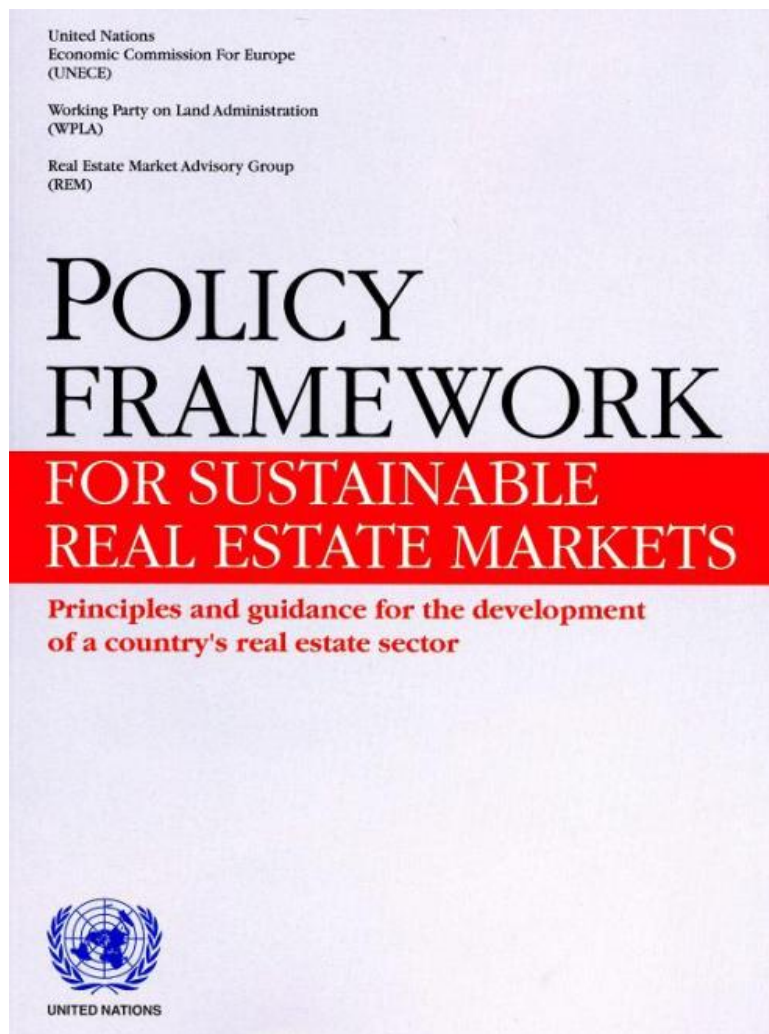
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## New challenges for the Banking and Mortgage and the *Policy Framework for Sustainable Real Estate Markets*



Set of 10 principles set out by Policy Framework, we allow ourselves apart by their relevance to the banking sector, the following five:

**Principle 6:**  
Sustainable Financing

**Principle 7:**  
Transparency and Advanced Financial Products

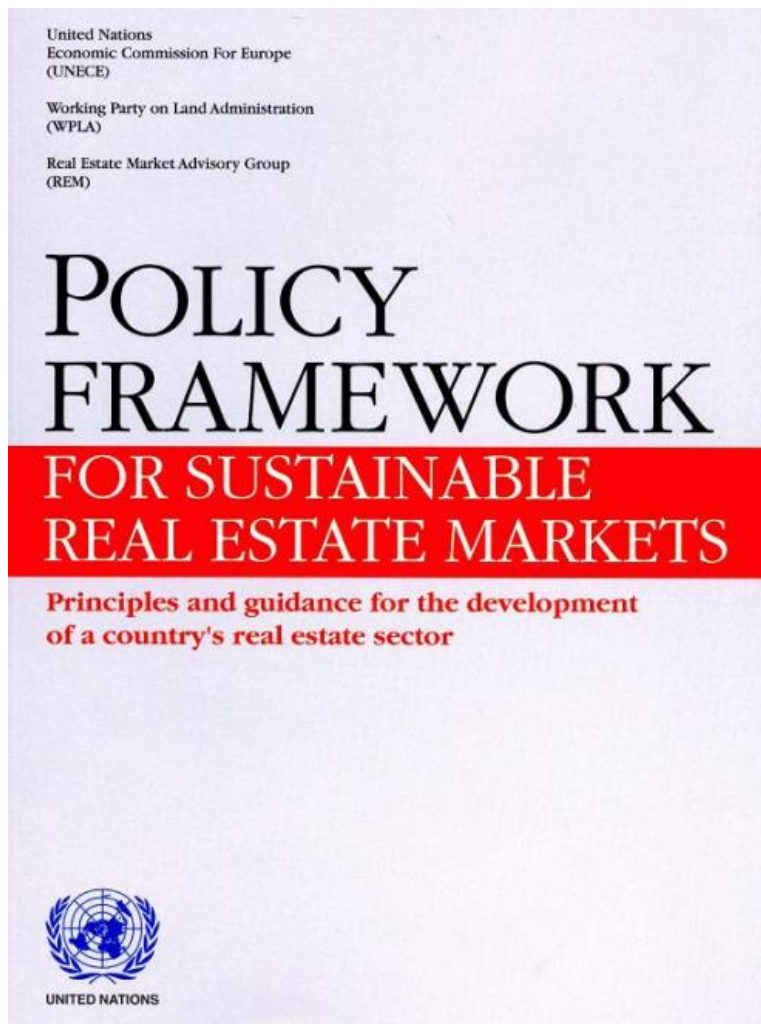
**Principle 8:**  
Property Valuation

**Principle 9:**  
Social Housing

**Principle 10:**  
Training and Capacity -Building



## New challenges for the Banking and Mortgage and the *Policy Framework for Sustainable Real Estate Markets*



### Principle 6: Sustainable Financing

CAIXA provides a wide and comprehensive range of Credit Property, for individuals and for companies

Lending for house purchase, secondary and buy to let

Lending for construction

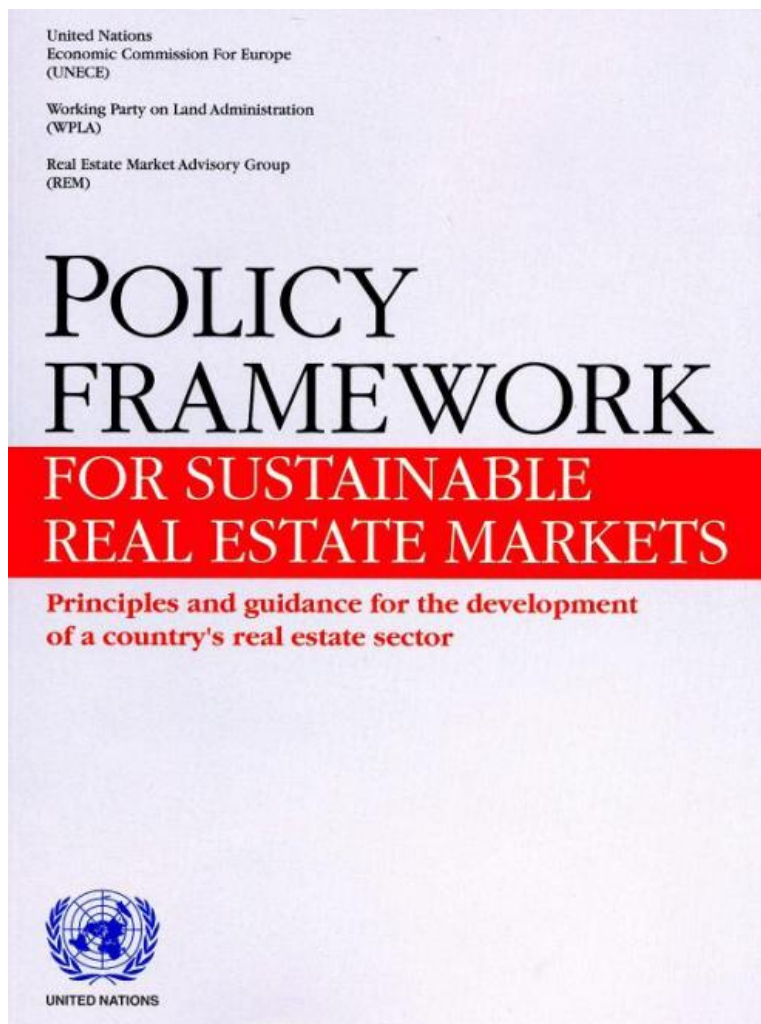
Financing the Urban Renewal

Financing for the introduction of technologies that promote energy efficiency

Energy Efficiency Certificate is mandatory



## New challenges for the Banking and Mortgage and the *Policy Framework for Sustainable Real Estate Markets*



### Principle 7: Transparency and Advanced Financial Products

Respect for the rules of Banking Practice

Compliance with the Duty of Disclosure to Customers

Observance and implementation of Responsible Lending, EU

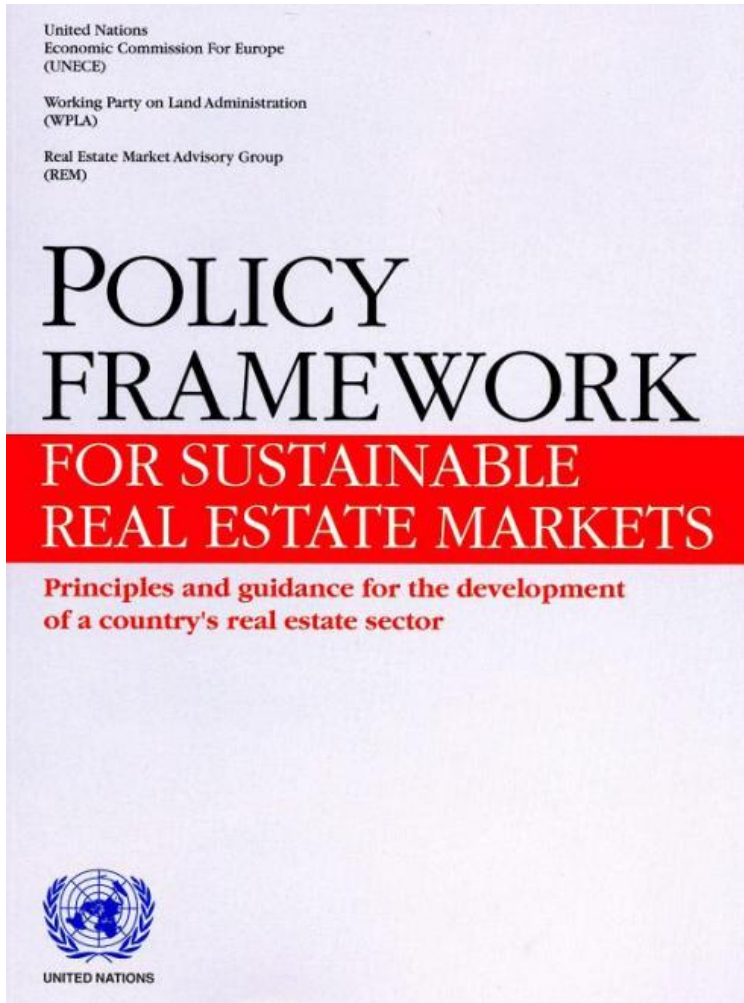
Innovation in launching new mortgage products

Making the values of the assessments available to customers

Applying for financial engineering vehicles such as JESSICA



## New challenges for the Banking and Mortgage and the *Policy Framework for Sustainable Real Estate Markets*



### Principle 8: Property Valuation

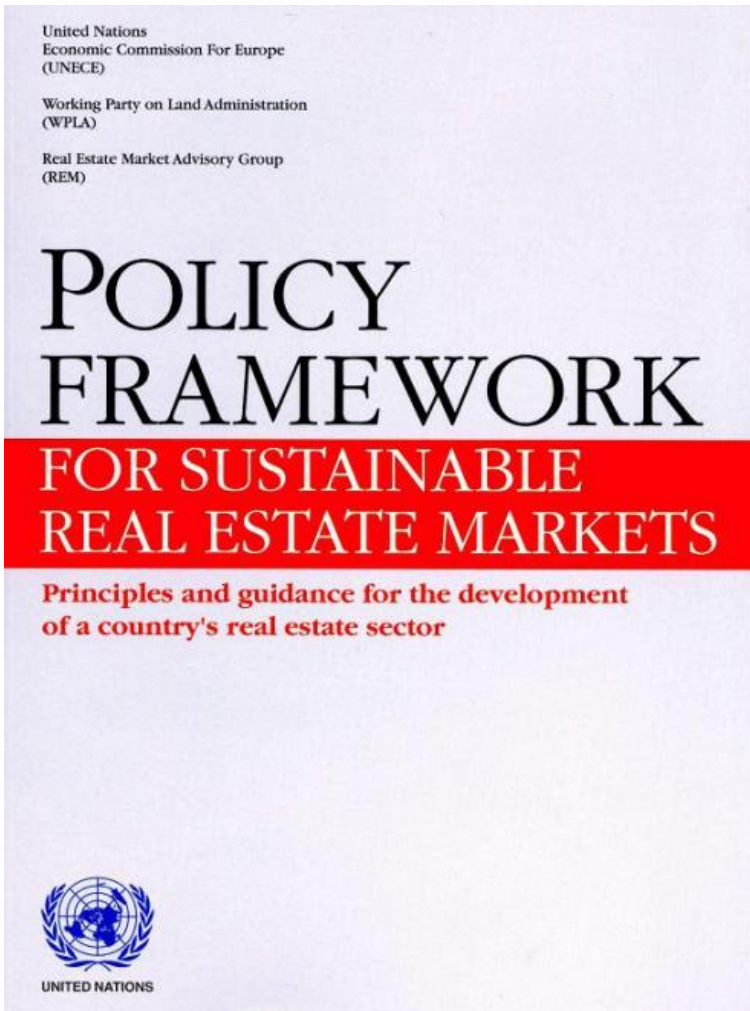
Respect for the rules of Banking Practice

Compliance with the Duty of Disclosure to clients, giving them the values of real estate assessments

Evaluations always conducted by independent entities



## New challenges for the Banking and Mortgage and the *Policy Framework for Sustainable Real Estate Markets*



### Principle 9: Social Housing

Extensive experience in relationship and funding Public entities such as Municipalities, Municipal Enterprises, Public Institutions and other

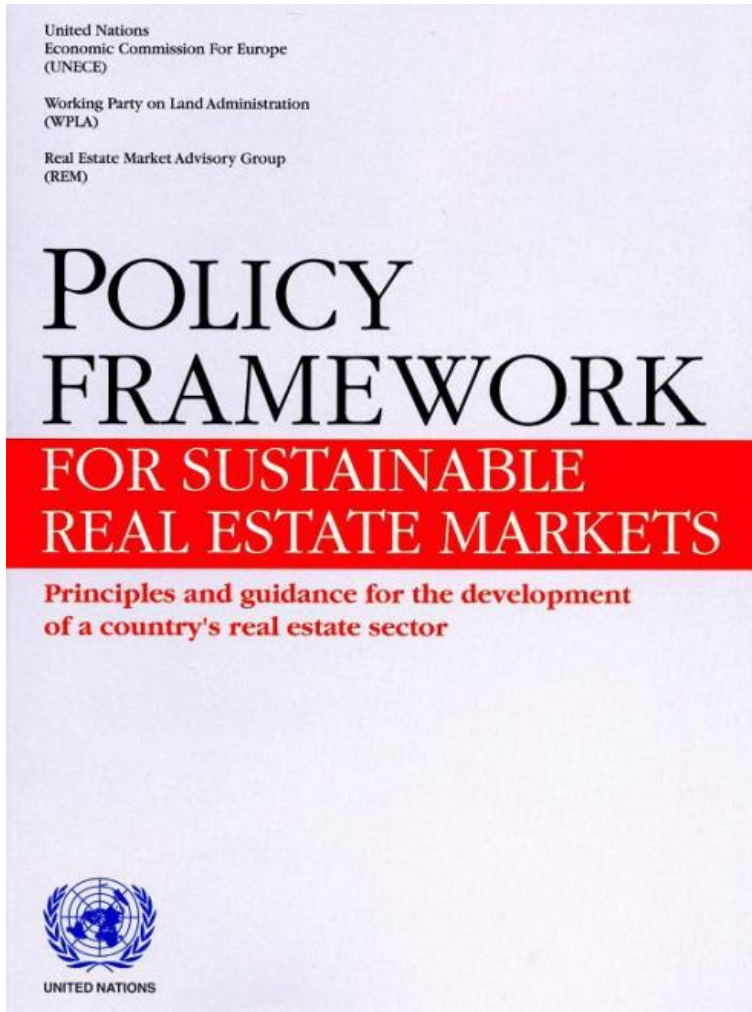
Design and implementation of Housing Projects in Partnership with various municipalities throughout the country

Implementation of housing solutions within the Programs such as PROHABITA and PORTA 65 JOVEM, in partnership with various Municipal Entities





## New challenges for the Banking and Mortgage and the *Policy Framework for Sustainable Real Estate Markets*



### Principle 10: Training and Capacity-Building

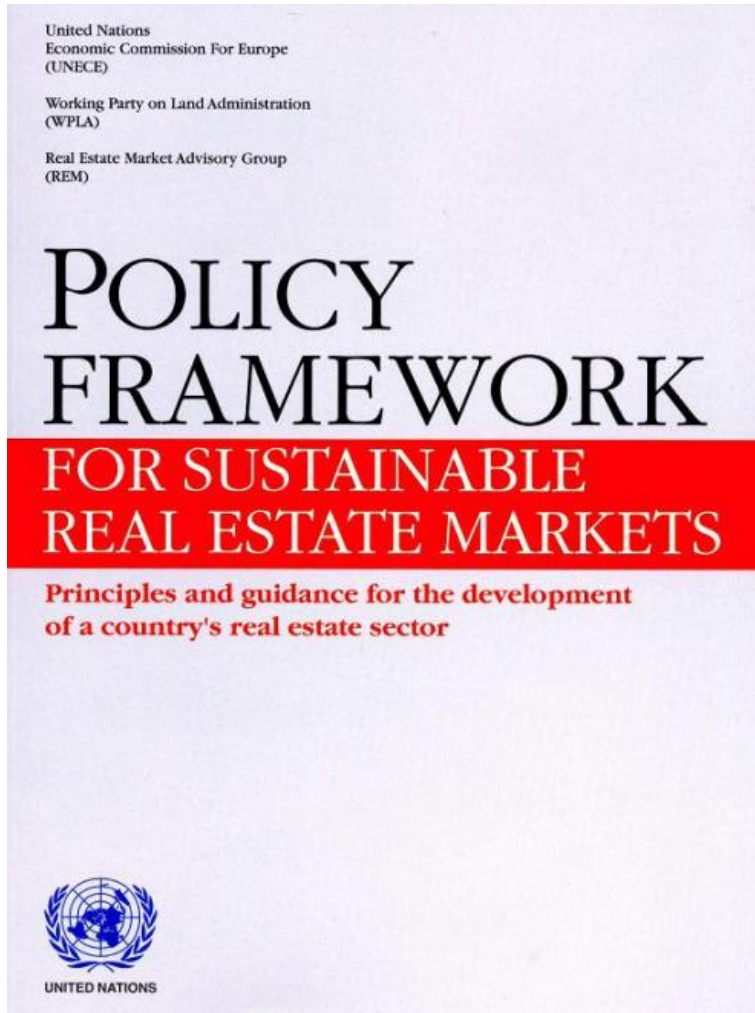
Strong commitment to internal training of employees

Innovations in computer applications to support Bank lending business

Design of specific products for various segments of Market



## New challenges for the Banking and Mortgage and the *Policy Framework for Sustainable Real Estate Markets*



**We reinforce our commitment with Sustainability and reaffirm our efforts to implement the principles of the Policy Framework for Sustainable Real Estate Markets**



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