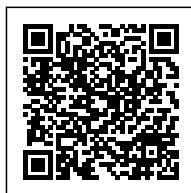


URBAN REGENERATION - UNLOCKING HISTORIC POTENTIAL - ABBC

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The more favourable redefining of landlord rights and duties under Portuguese law is increasing commercial interest in urban regeneration, suggests Luís Filipe Carvalho of ABBC in Lisbon.

The experience of ABBC had relocating its offices to Lisbon's historic Chiado district offers a case study not only in the reinvigoration of Portugal's leasehold sector, but particularly the opportunities that many older buildings now present investors, says real estate partner Luís Filipe Carvalho.

'The 2006 changes to Portugal's lease laws have given tenants and landlords a much greater ability to negotiate the terms of lease contracts, and to terminate contracts that were intended to be perpetual,' he says. The changes mean that the tenants ability to unilaterally transfer tenancies has been much reduced, while landlords now have much greater control over their properties, and are increasingly able to bring historically low rent levels up to more commercial market values.

'The result is a much greater interest among investors in properties that would otherwise have been left to decay. While the Government also has woken to the potential locked up in Portugal's historic buildings through the creation of schemes intended to support their conservation and redevelopment,' says Carvalho.

But investors and developers need to note that while the ownership incentives may have increased, very strict planning and preservation orders will often apply in historic districts. This was particularly evident in the case of ABBC's building, the birthplace of Fernando Pessoa, Portugal's most famous writer, he explains.

'In addition, the Town Hall and IPPAR (Architectural Preservation Society) have priority over the purchase of buildings of historic value, so it is important to ensure that they have no intention of exercising their rights, even before embarking on the planning or zoning process.'

'It is true to say that while the leasehold market in Portugal had been dormant for many years the recent legislative changes and the redevelopment incentives now on offer have raised expectations enormously. In fact, as we look out onto the square in front of our offices we can see this change already beginning to happen.'