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NEWSLETTER

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THE REFORM OF URBAN RENTAL: THE NEW RULES AND THEIR PRACTICAL IMPACT

On 9 July 2026, the Council of Ministers approved a bill aimed at reforming the urban rental regime, with the goal of strengthening confidence in the market, increasing the number of rental properties, and promoting more balanced relationships between landlords and tenants.

The reform rests on four fundamental pillars: contractual freedom, strengthening the security and enforcement of contracts, accelerating and simplifying eviction mechanisms, and increased social responsibility on the part of the State.

Business Team



INTRODUCTION

The regulation of urban rental is one of the most dynamic and complex areas of private law, situated between the parties' contractual autonomy and the protection of fundamental values, such as the right to housing and family stability. The proposed legislative reform aims to address the structural failures of the market, notably the shortage of supply, the continuous rise in rents, and the persistence of a high number of buildings outside the rental market.

Currently, the applicable legal regime remains scattered between the Civil Code and the New Urban Lease Regime (NRAU), which has undergone successive amendments, through Law 56/2023 of October 6, which approved the so-called "Mais Habitação" (more housing) program. The bill does not fully replace the legal framework in force; rather, it proposes amendments to specific points of the regime.

Under these conditions, knowledge of the applicable rules, as well as monitoring of the legislative process, proves to be very important in order to guarantee the validity of the acts carried out and to prevent potential disputes.

THE ONGOING LEGISLATIVE PROCESS

The Council of Ministers has approved a legislative proposal to reform the legal framework governing urban leases, which will only produce legal effects once the relevant legislative process has been completed.

Accordingly, until the proposed legislation is approved by the Portuguese Parliament, enacted by the President of the Republic and published in the Official Gazette (Diário da República), the rules currently in force will remain applicable.

In parallel, the Council of Ministers has approved a decree-law establishing the Housing Emergency Fund (Fundo de Emergência para a Habitação – FEH), as a complementary measure to support individuals and families facing a housing emergency. This legislation will likewise only produce legal effects in accordance with, and from the date resulting from, its publication.

It should be noted that, during the parliamentary process, the provisions of the legislative proposal may be approved as submitted, amended or rejected. Accordingly, none of the measures described above should be applied in advance by landlords or tenants, nor should they be relied upon as grounds for increasing rents, requiring additional guarantees or terminating lease agreements.

THE CONTENT OF THE REFORM

The reform proposal was developed around four main pillars: contractual freedom, security in the execution of contracts, speed and simplification of eviction mechanisms, and social responsibility of the State. These pillars correspond to a coherent set of measures.

Rents, Warranties and Renewal

In this context, the proposal grants the parties greater room for maneuver regarding the configuration of the contract, structured in three different components:

- ✓ With regard to rents, it is proposed to revoke the limit applicable to the initial rent of certain new residential lease contracts, which is currently calculated in relation to the last rent charged on the same property, with the application of a coefficient of 1.02, without prejudice to the latest legally permitted updates or additions. This anticipates by three years the end of a regime that was due to remain in force until the end of 2029
- ✓ Regarding contractual guarantees, the maximum limit for advance payment increases to 3 months' rent, and the security deposit is no longer subject to a legal limit, meaning its amount can be freely agreed between the parties
- ✓ As for the duration of the tenancy, it is proposed to eliminate the limitation currently applicable to the effects of the landlord's opposition and to the first renewal of the contract, thereby allowing such effects to take place within the terms of the initial period, provided the legal notice deadlines are observed

It should be emphasized that these changes do not allow the landlord to unilaterally modify the rent, the security deposit, or the other conditions of a contract already in force.

The new rules will apply according to the terms resulting from the final text and its transitional provisions.

Non-compliance and termination of the contract

The aim is to strengthen confidence on the supply side by reducing the risks of non-compliance, damage to the premises, and delays in recovering the property, identified as some of the main factors keeping properties out of the rental market.

In this regard, the period of arrears, likely to justify termination of the contract, will be reduced from three to two months.

According to information disclosed about the reform, it is also planned to reduce the number of instances of repeated late payment relevant to contract termination. The regime currently in force requires arrears of more than eight days, on more than four occasions, consecutive or not, within a period of twelve months.

The proposal will reduce this threshold to more than three occasions within a twelve-month period, or four occasions within an eighteen-month period, without prejudice to confirm the exact wording in the provisions of the bill.

Simplification of communications between the parties is also planned, allowing the use of electronic means with prior and express agreement, as an alternative to registered letter with acknowledgment of receipt.

Eviction Procedures

The legislative initiative aims at the debureaucratization and greater speed of eviction procedures and dispute resolution, namely through the simplification of acts, notifications, and procedural steps, the consolidation of decisions, and the elimination of administrative procedures considered unnecessary.

It should be noted, however, that this speed does not equate to automatic eviction. Since fundamental rights and legally protected interests are at stake, the intended acceleration does not dispense with respect to the adversarial principle, the applicable procedural guarantees, and the existence of a proper title.

Furthermore, the slowness of proceedings results largely from the capacity limitations of the Tenant and Landlord Desk (Balcão do Arrendatário e do Senhorio), the courts, and the enforcement agents. Thus, the simplification of procedures and the reduction of legal deadlines will only translate into effective speed if accompanied by an adequate strengthening of human, technical, and operational resources.

Pre-1990 contracts and public support

In counterpoint to this liberalization trend, this set of measures rests on the structural principle that the social cost of protecting the most vulnerable tenants should be borne by the State, and not exclusively by the landlord.

It is thus proposed to restore the transition regime for pre-1990 contracts to the NRAU, which had been set aside by the "Mais Habitação" Program, modulating this transition according to the tenant's age, their degree of disability, and the household's income.

For tenants under 65 years of age, the transition of contracts to the NRAU is envisaged. Where the household's adjusted gross annual income exceeds five times the national

minimum annual wage — corresponding, according to the information disclosed, to €64,400 — the rent may be updated up to a limit of 1/15 of the property's Taxable Asset Value. Below this threshold, the contract will also transition to the NRAU, but the rent will remain unchanged for a period of five years.

For tenants aged 65 or over, or with a certified degree of disability of 60% or more, it is proposed that the legal protection applicable to pre-1990 contracts be maintained, without transition to the NRAU. According to the information disclosed, the rent may only be updated up to the limit of 1/15 of the Taxable Asset Value when the household's annual income exceeds the threshold.

In lower-income situations, the previous rent is expected to be maintained, or a value adjusted to the household's actual effort rate to be set. According to information disclosed about the reform, the State may be responsible for directly compensating the landlord for the difference, through a mechanism to be managed by the Institute of Housing and Urban Rehabilitation (IHRU), the concrete operation of which will depend on the final wording and regulations to be approved.

Additionally, the Council of Ministers approved, through a separate decree, the creation of the Housing Emergency Fund (FEH), intended to support individuals and families in situations of housing emergencies, including evictions caused by economic hardship or domestic violence.

The FEH, to be managed by the IHRU in coordination with Social Security, is expected to provide direct, non-repayable financial support, aimed at ensuring a quick rehousing solution, whether temporary or permanent. According to the official information disclosed, support should be automatically granted within a maximum period of ten days after the submission of the respective request.

A comparative summary (before and after)

The main proposed measures are presented in summarized form, in comparison with the regime currently in force:

Matter	Current Regime	Proposal
Termination for non-payment	Arrears equal to or exceeding three months	Reduction to two months
Repeated delays	Arrears exceeding eight days, on more than four occasions,	Arrears exceeding eight days, on more than four occasions,

Matter	Current Regime	Proposal
	consecutive or not, within a twelve-month period	consecutive or not, within a twelve-month period
Rent for new contracts	The initial rent for certain new residential contracts may not exceed the last rent charged for the same proporty, applying a coefficient of 1,02, without prejudice to legally permitted updates and increases	The initial rent for certain new residential contracts may not exceed the last rent charged for the same property, applying a coefficient of 1.02, without prejudice to legally permitted updates and increases
Advance Payment	Maximum of two months'rent	Increase of the maximum to three months' rent, by agreement between the parties
Security deposit	Limited to the equivalent of two months's rent	Removal of legal cap, with the amount to be set by agreement between the parties
Oposition to first renewal	The landlorsd's opposition to the first renewal only takes effect after the legally established minimum period has elapsed, save for exception provided by law	Removal of this restriction, allowing the opposition to take effect at the end of the initial term, subject to compliance with legal notice period
Contracts prior to 1990 – tenants	No transition to the NRAU, following the "Mais Habitação" programme	Transition to the NRAU. Above 64,400 in adjusted annual gross income – equivalent to five RMNA – the rent may be updated up to 1/15 of the VPT; below that threshold, it will remain unchanged for five years
Contracts prior to 1990 – tenants agend 65 or over, or within a disability rating of 60% or more	The contract remains outsider the NRAU, with the applicable legal protection	Protection maintained and no transition to the NRAU. Above the income threshold, the rent may be updated up to 1/15 of the VPT; below that threshold, the previous rent will be maintained, with a

Matter	Current Regime	Proposal
		landlord compensation mechanism to be funded by the State
Eviction Procedure	Application of the current acts, notifications and procedural steps	Simplificação dos atos, notificações e trâmites, agregação de decisões e eliminação de diligências administrativas consideradas desnecessárias, sem dispensa do contraditório nem da existência de título adequado
Housing emergency	No specific instrument exists	Creation, through a standalone act, of the housing emergency fund, managed by the IHRU in coordination with social security, with automatic allocation of support within a maximum of ten days after the request is submitted
Communications	Registered letter with acknowledgment of receipt for essential matters provided by law	Communications by electronic means to be permitted, subject to the parties 'prior and express agreement

CONCLUSION

This proposal seeks to rebalance and redefine the relationship between landlords and tenants, reconciling private autonomy (greater contractual freedom) with the State's social support mechanisms for the most vulnerable households.

As mentioned previously, the actual scope of these measures will depend on the system's capacity to respond and, above all, on the transitional provisions that will be established.

Given this transitional scenario, prudence suggests not anticipating the effects: what binds the parties is the published law, the drafting of the contract, and the specific situation at hand.

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