

CONFERENCE  
**THE WELFARE STATE  
IN PORTUGAL IN  
THE AGE OF  
AUSTERITY**

# **The Importance of Housing in Portugal in the Age of Austerity**

**Lisbon, 9<sup>th</sup> and 10<sup>th</sup> of May 2014**

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# Introduction

- Housing is an essential component of well-being and social development
- In Portugal, Spain, other southern European countries: housing has been provided mostly as a private form of consumer good, in countries such as Sweden or Denmark state intervention has ensured a good supply of housing for all social groups (Andersen, 2012)
- In Portugal, as elsewhere in southern Europe, housing is one of the least de-commodified and most market-determined domains of social provision (Allen et al., 2004; Harloe, 1995).

- Scandinavia countries: the period of economic growth that followed the 2<sup>nd</sup> World War enabled the construction of high quality public housing for a large number of households (Musterd, 2012), according to the fundamental relationship between economic growth and distributional justice.
- In Portugal the period of economic growth that followed entry into the European Union (EU) in 1986 was heavily informed, in terms of methods of production and consumption - by the logic and interests of market forces (Malpass, 2008).

- Housing market in Portugal: high home ownership, lack of affordable housing, and degradation of the housing stock is explained by the state's inability to regulate property market speculation and land development.
- In the analysis of the negative externalities associated with the evolution of the Portuguese housing market, marked by a focus on quantity vs quality, urban sprawl vs re-qualification, we emphasize issues of loss of environmental assets, the indebtedness of Portuguese families, and high levels of underused and vacant dwellings.

# Research approach and aim

By using statistical data and literature reviews, in this paper we seek to identify the range of economic and political factors which have played an important role as key drivers of change in housing in recent decades.

# **Economic expansion from the mid 1980s**

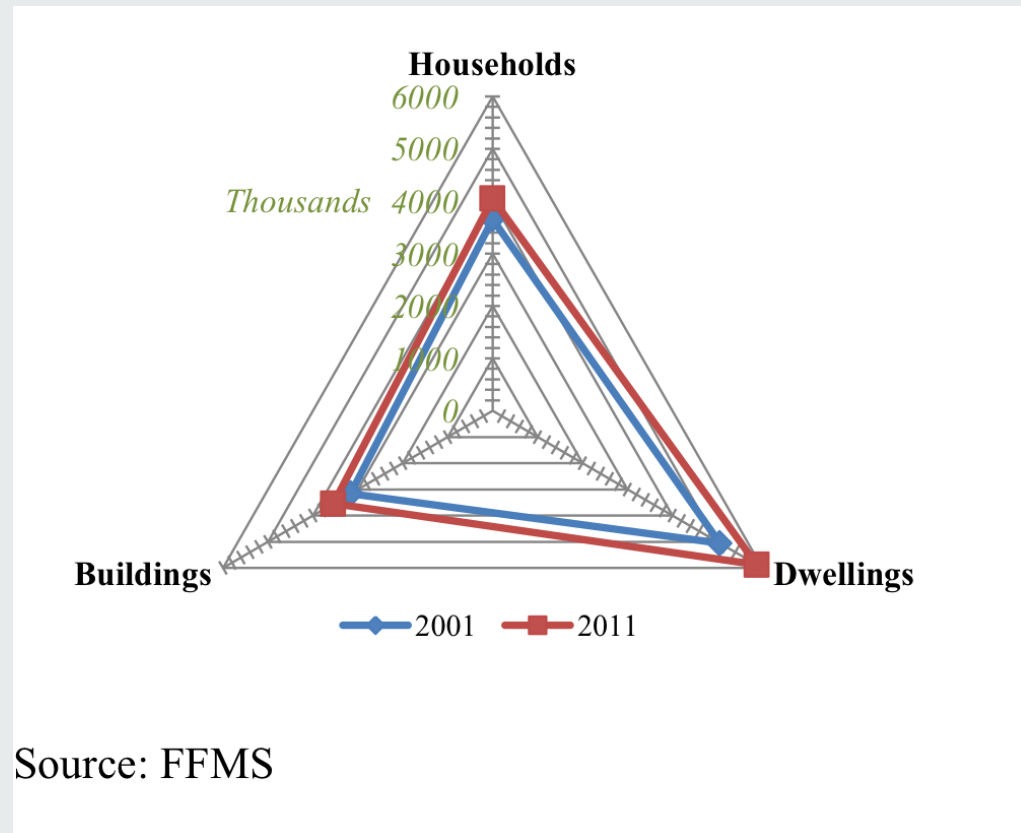


# Accession to the EU in 1986

- Period of economic expansion.
- More and better paid jobs in the cities.
- Intense and rapid process of urbanization and construction.
- Abandonment of houses in rural areas.
- Small percentage of affordable rental social housing.
- Policies to encourage home ownership: public co-finance of interest rates, tax incentives, ...

# Economic growth and housing

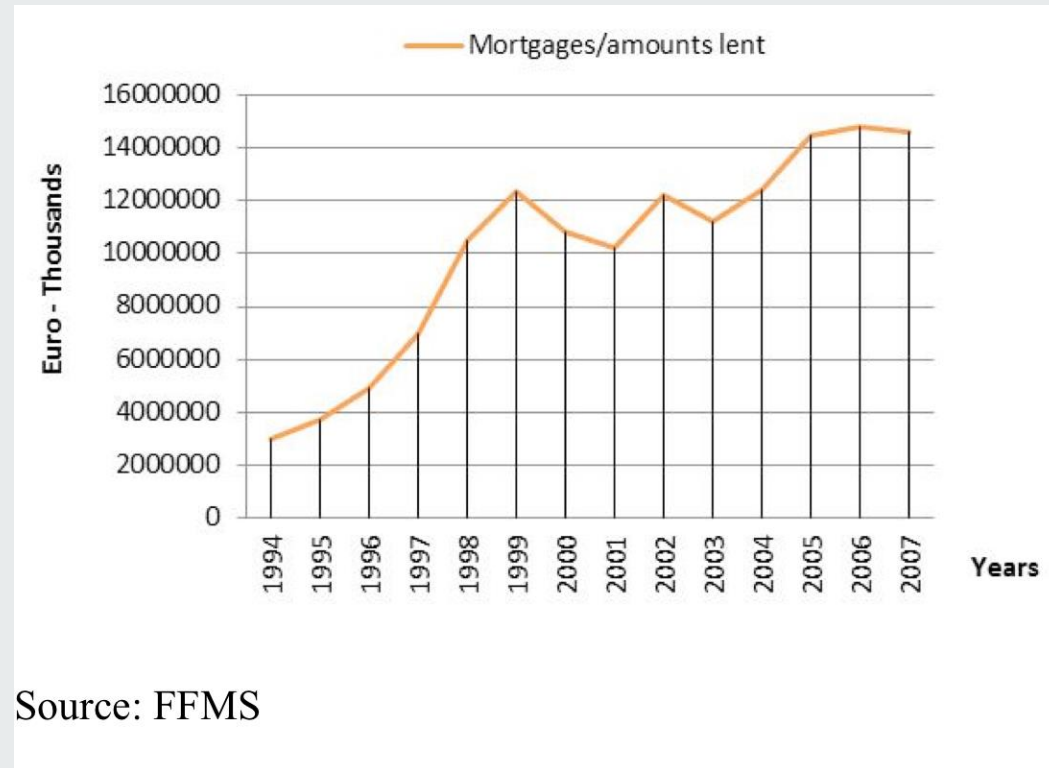
In 20 years, the share of owner-occupied housing increased from 57% to 76% by 2012. Rising from 1.6 million to 2.7 million owner-occupied units.



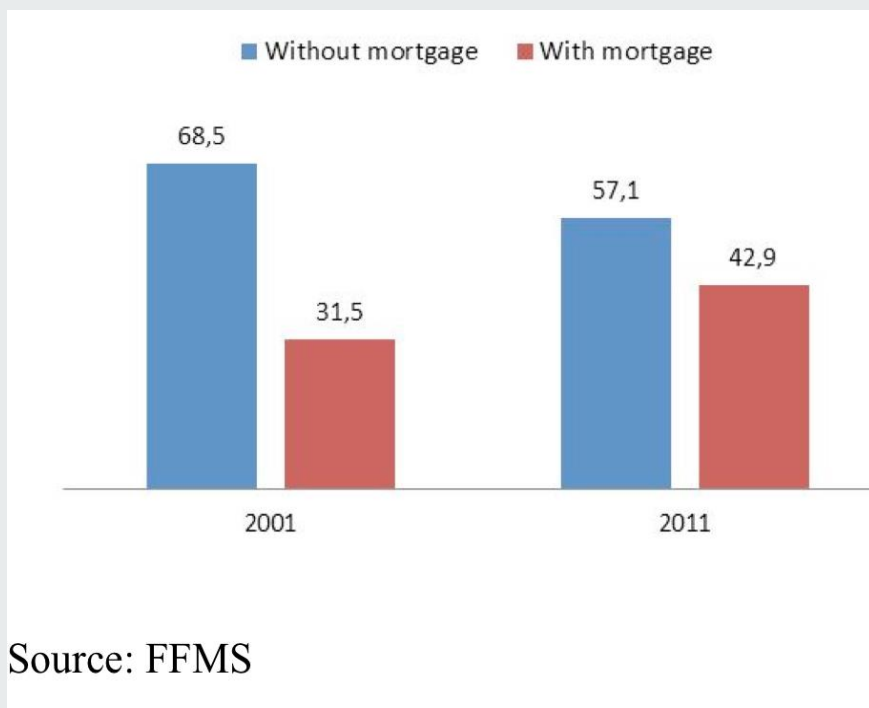
Source: FFMS

# Mortgages: lent growth

- 49.5% of the households have housing loans: 1.8 m€ in 2008.
- Total amount of household debt in late 2007 represented 129% of disposable income, well above the figure of 90% in 2001 .



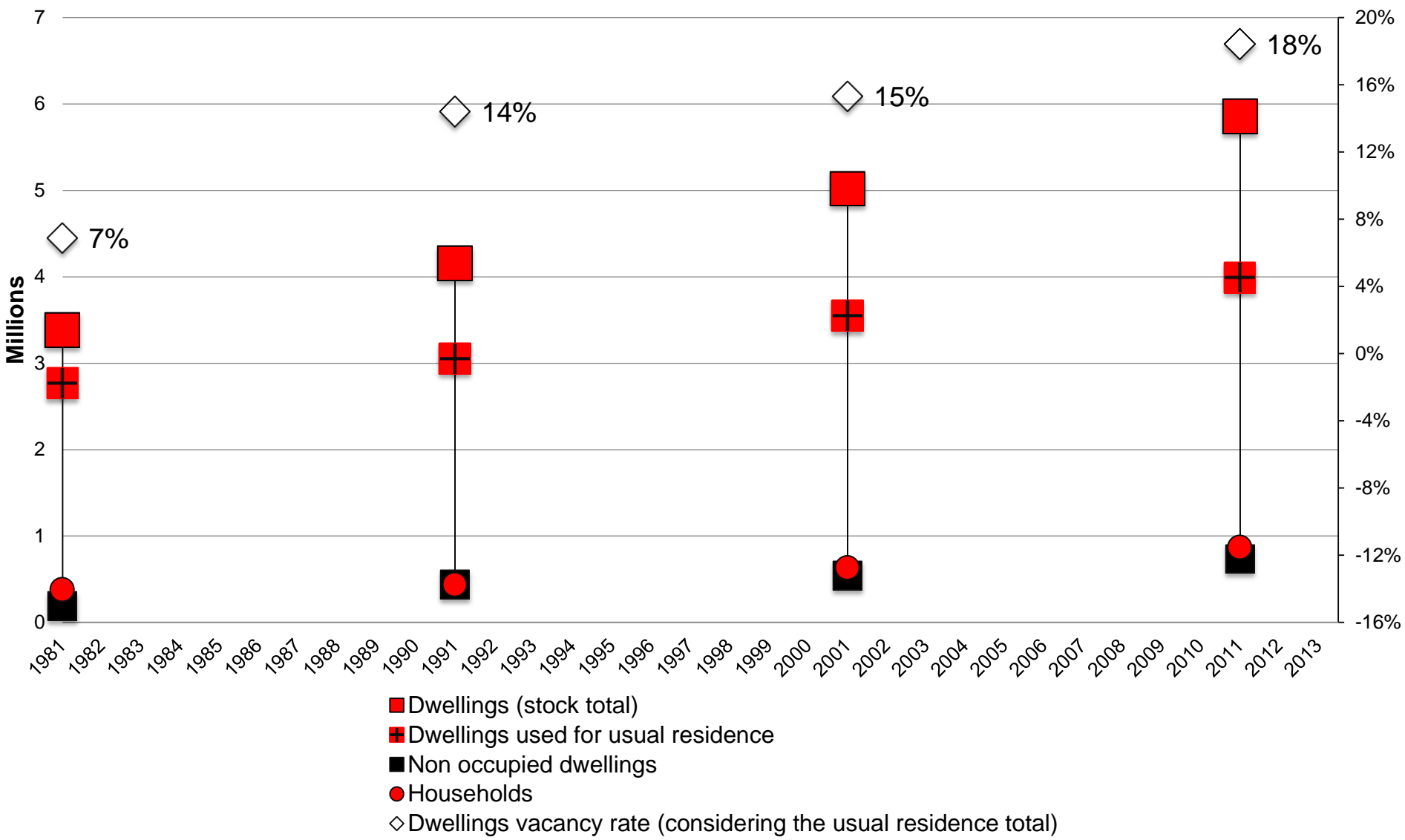
# Owner-occupiers with mortgages



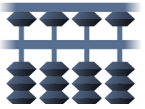
- 14% Until the mid-1990s
- 32% in 2001
- 43% in 2011
- Easy credit in global markets, the absence of incentives to limit loan-to-deposit ratios, and insufficient risk perception led to: “the excessively high consumption and high indebtedness in the Portuguese society” (Pina and Abreu, 2012)

- Housing conditions improved significantly in 40 years (in 2011, 99% of the dwellings with restroom).
- In 2011 the share of non-profit housing represented 3% of the total national housing stock, government was spending less than 1% of GDP on housing policy.
- The inability of the state to regulate property market allowed the expansion of the suburbs and a lifestyle based on car ownership, but also led to high levels of vacant/underutilized housing.

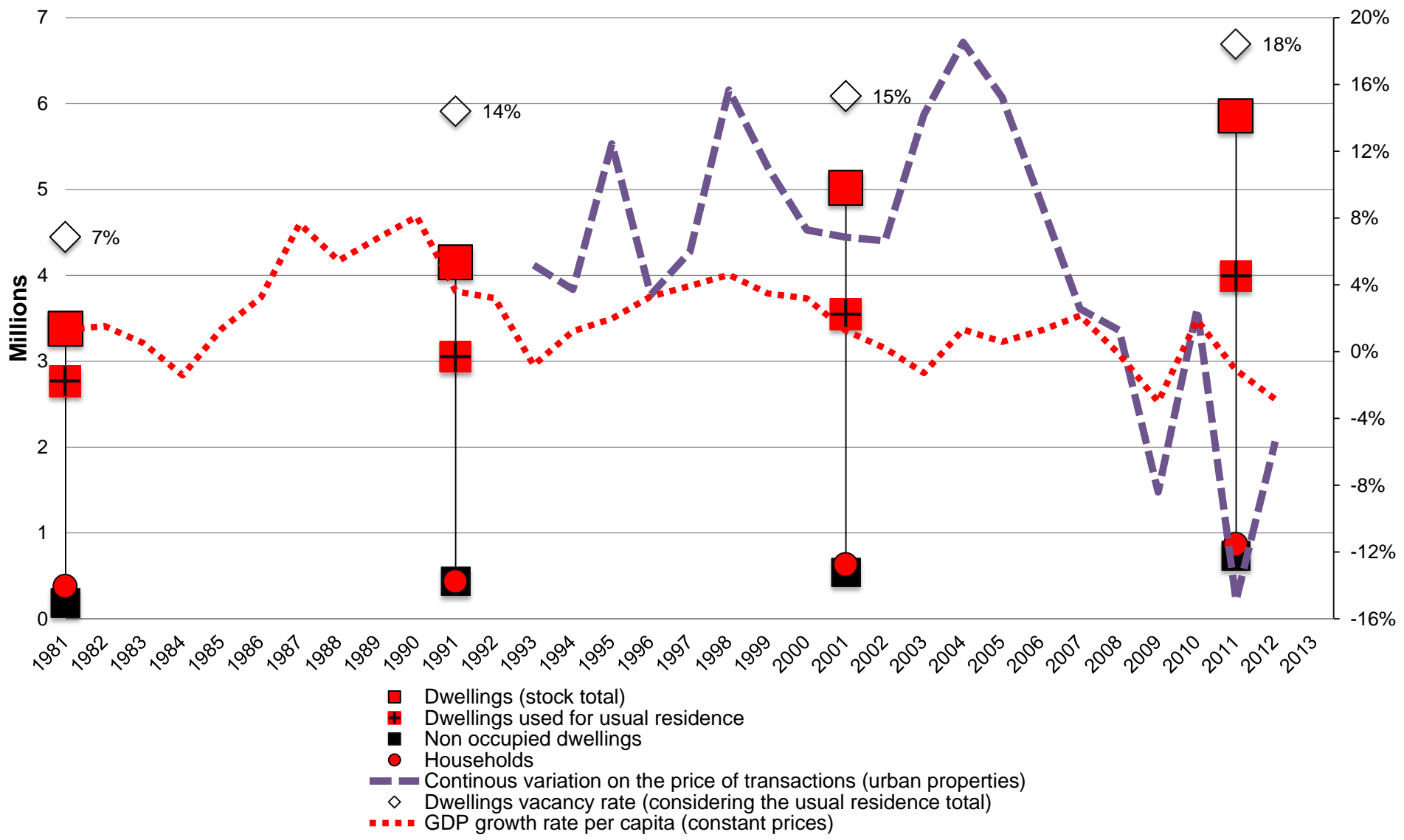
# Portugal housing dynamics



# **The financial crash of 2007**

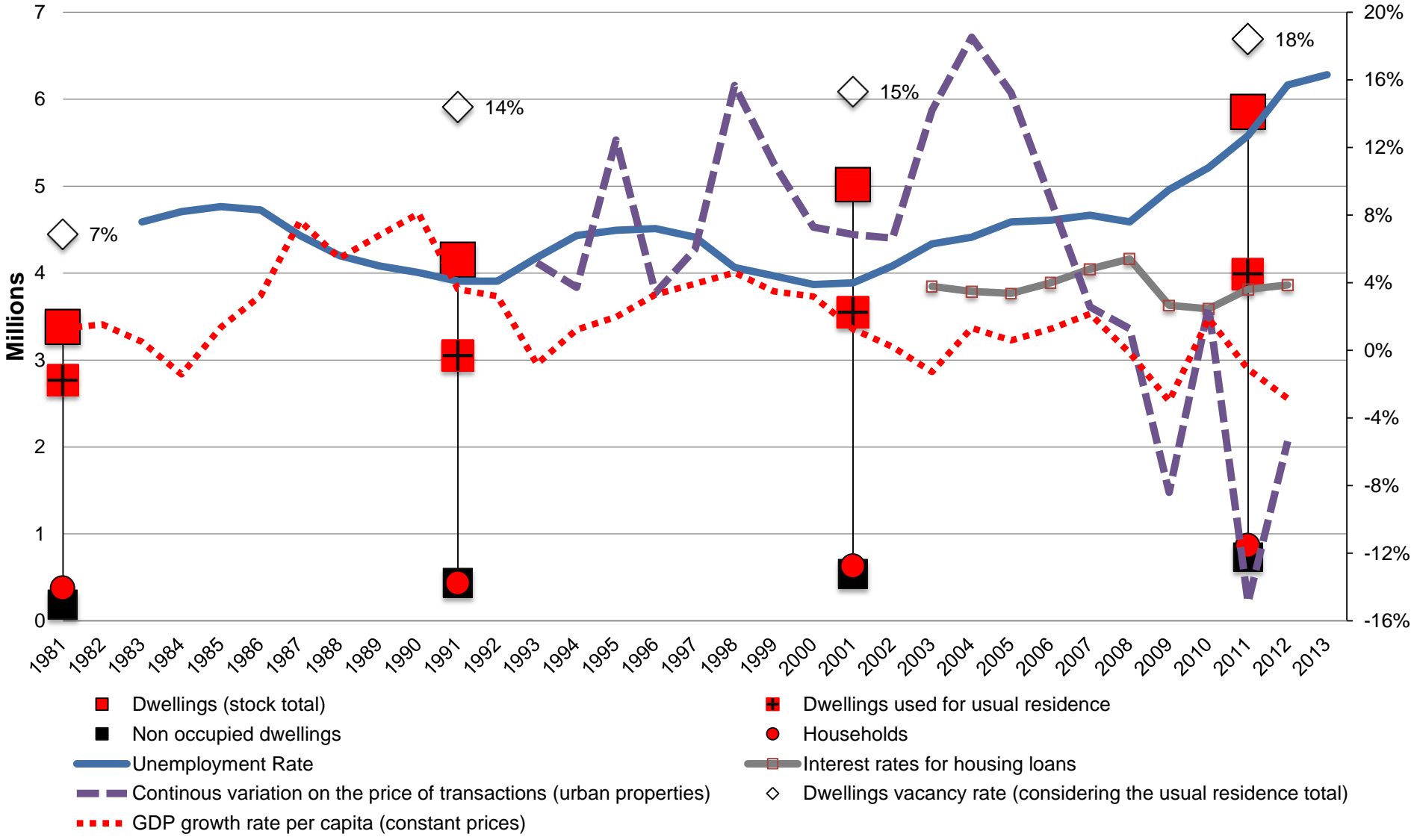


# Portugal housing dynamics





# Portugal housing dynamics



- Rapid growth of secondary housing in coastal areas evolved to a crash in the housing market in tourist regions such as the Algarve.
- In those areas, property market was mainly geared to tourists and speculative operations, summer houses came to represent almost 40% of the total housing stock.
- Crises of 2007: owner-occupied housing market with severe reduction in prices, transactions, and vacancy rates began to grow, from 440,000 dwellings in 1991 to 735,000 in 2011.

# Final remarks

# Economic growth and inequality

- Even since the mid 1980s Portugal gradually converged in many social and economic domains such as economic growth and housing conditions.
- Economic inequality has not been challenged, and Portugal remains one of the most unequal countries in the EU and the OECD.
- The type and level of correlation between economic growth, inequality and housing needs further investigation in Portugal.

# Prosperity

- Growth dependent paradigm is not always adequate to achieve prosperity, that is, sustainable prosperity for all (Jackson, 2009).
- The (apparent) contradictions between economic growth dynamics and inequality raise questions about social justice and the role urbanism and urban planning play in preventing negative economic and environmental impacts.

# Urban planning and regulation fails...

- Failed to prevent a highly unbalanced and unsustainable housing dynamic.
- Failed to prevent the negative impact of urban sprawl on the economic and financial sustainability of urban infrastructure and public facilities, which currently raises major concerns around how to finance and guarantee adequate levels of service for that infrastructure built since the 1980s.

# Reform of the planning system

Opposition to exclusively market-driven policies, Rydin (2013) proposes a system beyond growth-dependences.

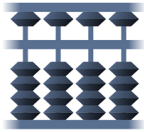
# Urbanism of regulation

- Bourdin (2010) proposes an urbanism of regulation to address the negative consequences of market-driven urban development, based on four types of strategy:
  - the production and capture of wealth and resources;
  - urban supplies and their affordability;
  - social cohesion and socialization;
  - organization in governance, space, economy and administration.



# Urbanism of regulation

We believe that the results presented in this paper confirm the relevance to Portugal of this agenda.



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