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ID 1387 | IMPACTS OF THE NEW URBAN LEASE LAW AND THE NON-REGULAR RESIDENT TAX REGIME ON HOUSING AFFORDABILITY AND URBAN REGENERATION IN LISBON´S HISTORIC CENTRE

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ABSTRACT: The adoption of the euro accelerated the dependent financialisation of the Portuguese economy, which remained structurally backward despite its integration into global finance. The flow of foreign credit towards the real estate, infrastructure, and construction sectors since the mid-nineties fueled the suburban expansion of Lisbon and the abandonment of its historic centre until the crisis of 2008. After the collapse of that model of urban development, Lisbon's historic centre became a space of opportunity for global real estate investment offering high profitabilities in the international short-term-rental and premium markets. With thousands of abandoned dwellings and tenants paying very low rents, the rent gap of the historic centre was enormous. Since many residents of that territory were tenants paying controlled rents, it became necessary to change the lease regime in order to rapidly and easily evict them and let investors engage in the transformation of the area. The new urban lease regime liberalised the rental market and triggered the actualisation of rents above the capacity of many tenants in a context of rising demand for rental housing and strong austerity policies —and evictions multiplied. The non-regular resident tax regime was implemented by the Portuguese government to attract foreign high-skilled professionals and pensioners. Under this special regime, foreign citizens benefit from a reduced flat personal income tax rate of 20% and any pension income generated abroad is totally tax exempt —even when not taxed in the country of origin. As a corollary, housing supply for conventional use has dropped significantly and prices have increased dramatically in the historic centre as tourist apartments proliferate and foreign investors multiply. Urban regeneration fuelled by tourism and international investment has not stopped the loss of residents in this area, while the impossibility for many locals to find affordable housing there constitutes a worrying outcome of Lisbon's commodification. Keywords: gentrification, commodification, touristification, austerity, public policy, Portugal

1 OBJECT AND METHODOLOGY

Lisbon's historic centre is an interesting case for the study of urban commodification in the financially dependent periphery of the Eurozone due to the combination of two factors. On the one hand, Lisbon is the capital and largest city of a semiperipheral country that joined the European Economic Community (EEC) in 1986 and therefore has been a member of the European Union (EU) since 1993. Furthermore, Portugal adopted the euro as soon as it came into circulation in 2002, and experienced a profound process of dependent financialisation and alleged modernisation until the global crisis of 2008. However, Portugal is one of the European countries that have suffered most the impact of the latter, and austerity has been imposed there with special harshness. On the other hand, Lisbon's historic centre is worth analysing because it is currently experiencing a deep and rapid transformation that, fuelled by foreign real estate investment and a remarkable tourism boom, started and developed while the country was subject to austerity under the increasing burden of sovereign debt.

The urban transformation and commodification of Lisbon's historic centre is an ongoing process that takes place in the context of the equally ongoing crisis of the periphery of the Eurozone. Therefore, the case-study methodology has been chosen in order to guide its analysis, since it allows the examination of "[...] an existing, real-life situation in all its complexity, exploring it as close to the people concerned as possible, describing the situation in as much detail as possible, and finally explaining the findings in a clear and comprehensible way." (Kyburz-Graber, 2004, p. 54). The case study is supported by a general macroeconomic contextualisation emphasising the dependent financialisation of the contemporary Portuguese economy, as well as by a short review of the rent gap theory of Neil Smith (1996).

The research included the conduction in Lisbon, between June and September 2016, of 12 structured interviews with the stakeholders listed in Table 1, who were asked a common questionnaire. The interviews were held in Portuguese and the answers have been translated into English when quoted.

Public Sector	Private Sector	Civic Sector
André Moura *Lisbon Tourism Observatory* (Coordinator)	Catarina Lopes *EastBanc Portugal* (General manager)	Inês Andrade *Renovate Mouraria* (President)
Miguel Coelho *Parish Council of Santa Maria Maior* (President)	Ernesto Portugal *Habitat Invest* (Marketing manager)	Rita Silva *Habita* (President)
Paula Marques *Lisbon City Council* (Councillor for Housing and Local Development)	Nuno Martins *ERA Chiado/Lapa* (Partner)	Leonor Duarte *Citizenship Academy* (Member)
Pedro Miranda *Territorial Intervention Unit of the Historic Centre* (Senior technician)	Eduardo Miranda *ALEP - Portuguese Local Accommodation Association* (President)	Maria de Lurdes Pinheiro *APPA - Heritage and Population Association of Alfama* (President)

Table 1 -Interview participants

2 GENERAL MACROECONOMIC BACKGROUND

The insertion of Portugal into the European Economic Community (EEC) in 1986 deepened and accelerated the dependent financialisation of its economy. The abundant inflow of foreign credit that followed, channelled towards non-tradable sectors such as construction, real estate, and infrastructures that were less subject to international competition at the expense of manufacturing, did not improve the structural conditions of the former. Instead, it materialised in the combination of a backward economic framework and a modern globalised financial sector. As it encouraged mortgage-based homeownership through subsidies and tax breaks while failing to create a comprehensive public housing system, the State encouraged private indebtedness, fuelled suburban expansion, and stimulated the contruction and real estate sectors (Reis, 2016; Rodrigues, Nunes, & Teles, 2016).

Since their emergence when the Portuguese financial sector was starting to be liberalised in the mid-eighties, the sustained expansion of real estate investment funds has been according to Rodrigues et al. (2016) one of the major symbols of the tightening nexus between housing and finance in the country. The number of real estate investment funds operating in Portugal increased from 48 to 242 between 1996 and

2016. The most remarkable expansion, however, took place between January 2005 and December 2009, when the number rose from 66 to 253. The historic maximum of 265 registered funds was reached in June 2011 and, since then, this indicator has followed a slightly negative evolution. Between 1996 and 2016, the total net asset value increased from 2,301.5 to 11,068.9 million euro, with a historic maximum of 13,067.4 million euro reached in January 2014 and a negative evolution thenceforth (Comissão do Mercado de Valores Mobiliários, 2016).

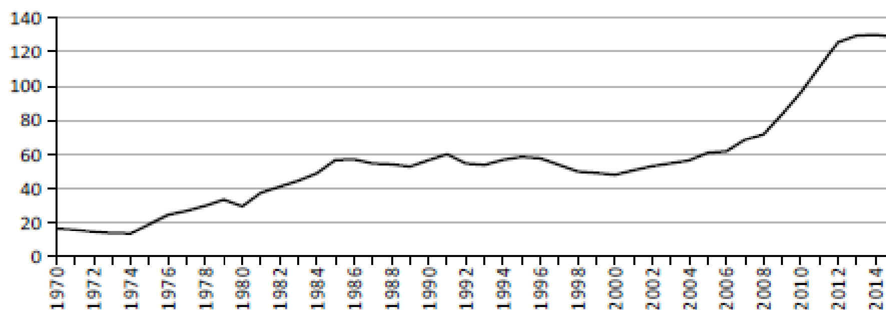

Figure 1 – Portuguese public debt, % of GDP (International Monetary Fund, 2016)

Figure 1 shows the evolution of the Portuguese public debt between 1970 and 2015. It shows that the public-debt-to-GDP ratio increased in Portugal at a rather constant pace between the end of the dictatorship and the integration into the EEC. While in 1974 that ratio was of 13.5%, in 1986 the public debt represented 56.9% of the country's GDP. In a context of local and global economic instability, the IMF intervened the country twice in 1977 and in 1983, and imposed fiscal austerity programs that would trigger economic stagnation, rising unemployment, and impoverishment (Mamede, 2015).

The country's integration into the EEC motivated a remarkable economic dynamism that materialised in the rapid expansion of its GDP. Figure 1 shows that public debt remained relatively stable between 50% and 60% of the GDP between 1985 and 1995. The constitutional reform of 1989 enabled the reprivatisation of public assets that had been nationalised in the seventies during the brief revolutionary term. The process started with the banks and insurance companies, continued with the industrial firms and energy utilities, and then involved virtually all other public assets in Portugal (Mamede, 2015).

An ambitious privatisation programme was launched in 1996, its revenue being essentially used to reduce the public debt (Baklanoff, 1996). The effect is visible in the temporary decrease of the public-debt-to-GDP ratio between 1995 and 2000 from 58.4% to 47.9% that is displayed in figure 1. However, this was paralleled by a dynamic of growing private indebtedness due to the abundant credit offered by the banking system to Portuguese firms and families. The volume of loans granted to the private sector increased from 66,000 million euro in 1995 to almost 155,000 million in 2000 due to the combination of financial deregulation and privatisation with low interest rates. Families —particularly middle class ones— were getting indebted usually to buy a home, and 40% of the liabilities of Portuguese firms were owed in that term by real estate and construction firms in a context of increased access to home ownership, abundant public investment on infrastructures, and emerging real estate speculation (Mamede, 2015).

Figure 1 shows that public debt increased in Portugal at a relatively moderate pace from 47.9% of the country's GDP in 2000 to 71.7% in 2008. Mamede argues that this was consequence of the rising social expenditure by the State due to the erosion that both the growing unemployment and the dropping tax revenue from economic activity were producing on the public budget. "Contrary to what many suggest, the degradation of public finance was not the cause of the crisis: it was, above all, the reflection of an economy that was showing obvious signs of exhaustion." (Mamede, 2015, p. 37). Figure 1 shows that the Portuguese public-debt-to-GDP ratio was lower than 70% until it started to grow extremely fast with the contagion of the subprime crisis in 2008, reaching a historical maximum at 130.2% of the GDP in 2014. According to Mamede, as a consequence of austerity "Portugal became […] a poorer country with little optimistic perspectives about its future. Besides indebtedness of firms and families […], the country faces today high levels of public debt, less employment, and less salaries after successive years of weak productive investment." (pp. 39-40).

Since the signing of the Memorandum of Understanding between the Portuguese government and the Troika in 2011, and in the name of fiscal austerity, deficit reduction, and competitiveness, GDP has fallen, unemployment has grown, profitable public assets have been privatised, value-added tax (VAT) has increased, labour regulations and protections have been loosened, and wages of public workers have been cut to adjust the balance of payments by reducing internal demand (Rodrigues and Reis, 2012). According to Louçã (2011), wages have also been indirectly reduced by the State as it has cut social protection while simultaneously rising regressive taxes and prices of services that constitute a big share of the families' spending —e.g.health and education provision, transport, or energy.

3. THE RENT GAP THEORY

The rent gap theory (Smith, 1996) addresses the land-and housing-market dynamics and the role of investment and disinvestment in gentrification. It suggests that the latter starts when the difference between actual and potential rents is wide enough to encourage investment:

The rent gap is the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use [...]. The rent gap is produced primarily by capital devalorization (which diminishes the proportion of the ground rent able to be capitalized) and also by continued urban development and expansion (which has historically raised the potential ground rent level in the inner city). [...] As filtering and neighborhood decline proceed, the rent gap widens. Gentrification occurs when the gap is sufficiently wide that developers can purchase structures cheaply, can pay the builder’s costs and profit for rehabilitation, can pay interest on mortgage and construction loans, and can then sell the end product for a sale price that leaves a satisfactory return to the developer. (p. 65).

This theory succeeds to interpret urbanisation, urban restructuring, and gentrification as the spatial materialisation of capital accumulation and macroeconomic restructuring. It links the production of urban space to broader dynamics of capitalism and to the cyclical movements of capital, under the assumption that uneven urban development is inherent to capitalist expansion and devalorisation is necessary for future revalorisation (Mendes, 2014). While Smith (1996) develops the rent gap theory to understand urban restructuring within the logics of capital accumulation, Harvey (2005) deals with the concept of monopoly rent to explore the relationship of culture —which he argues that despitebeing a commons has become a commodity— with capital accumulation. According to Harvey, monopoly rents derive from the exclusive control and exploitation of a given tradable, unique and non-replicable asset by a private owner or group of owners.

4 ABANDONMENT AND DEPOPULATION OF LISBON'S HISTORIC CENTRE

“The historic centre was empty, it was dead at night”, said the coordinator of Lisbon Tourism Observatory in his interview. Meanwhile, the marketing manager of Habitat Invest explained that “[...] most buildings [in the historic centre] were abandoned and degraded a few years ago; they were collapsing with no maintenance at all.” Table 2 shows that 32.4% of the dwellings in the parish of Santa Maria Maior, 26.8% of those in Misericórdia, 23% of those in Santo António, and 20% of those in São Vicente were empty when the latest national census was elaborated in 2011 (Instituto Nacional de Estatística, 2016).

Parish	Occupied	Empty	Total	% Empty
Misericórdia	7,671	2,811	10,482	26.8%
Santa Maria Maior	7,289	3,498	10,787	32.4%
Santo António	6,541	1,952	8,493	23.0%
São Vicente	8,229	2,056	10,285	20.0%

Table 2 -Occupied and empty conventional family dwellings (Instituto Nacional de Estatística, 2016)

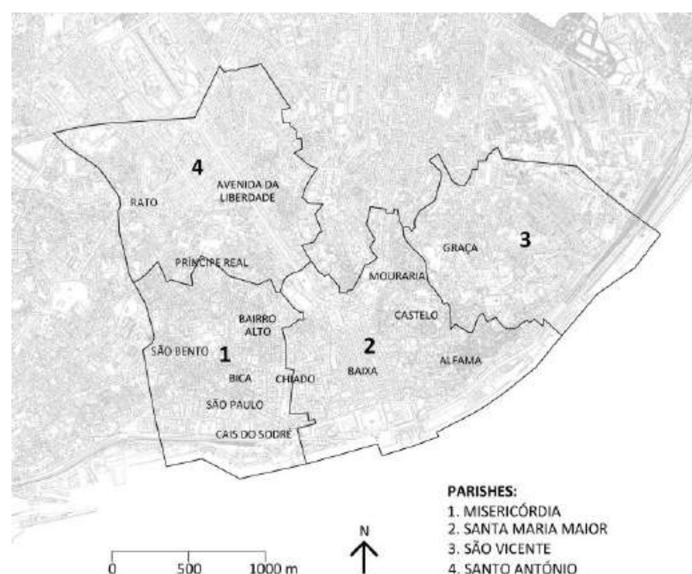

Figure 2 - Four parishes of Lisbon's historic centre

The evolution of the total number of registered voters between January 2002 and December 2015 confirms the demographic decline of the municipality of Lisbon and evidences a more significant population loss in the historic centre —paralleled by an opposite trend in Lisbon Metropolitan Area (AML). As shown in table 3, the total number of registered voters decreased during that term by 27.3% in the historic centre and 11.5% in Lisbon, while it grew 7.5% in the AML. Within the historic centre, the decline has been greater in the parishes of Santa Maria Maior and Misericórdia, which lost 32.8% and 30.3% of their registered voters respectively between 2002 and 2015 (Ministério da Administração Interna, 2016).

	AML	Lisbon	Lisbon's historic centre	Miseri-córdia	Santa Maria Maior	Santo António	São Vicente
Jan. 2002	2,239,214	563,318	67,013	17,453	17,008	15,296	17,256
Dec. 2015	2,407,947	498,775	48,701	12,169	11,422	11,918	13,192
Variation	+7.5%	-11.5%	-27.3%	-30.3%	-32.8%	-22.1%	-23.6%

Table 3 – Evolution of the nr. of registered voters, 2002-2015 (Ministério da Administração Interna, 2016)

The rent controls that were enforced by the dictatorship and motivated the payment of low rents by traditional tenants until the legal reform of 2012 are often appointed as guilty of the abandonment of Lisbon's historic centre. They are generally accused of having made maintainance impossible and triggered the deterioration of the built environment. However, the president of APPA argued that "[...] tenants were paying very low rents, but it was them taking care of the houses. If buildings were not collapsing it was because of them; landlords were doing nothing but speculate. At most, they were maintaining the façades." According to the president of Habita, the abandonment of the historic centre is actually consequence of the speculative model of suburban expansion that was in force until the financial crisis of 2008. Meanwhile, the president of ALEP pointed at the typologies of the historic centre's housing stock as a significant factor behind the area's demographic decline, and added that moving out of old neighbourhoods like Alfama has often been seen as "[...] part of the story of family success."

5 THE NEW URBAN LEASE LAW

The Novo Regime do Arrendamento Urbano (NRAU) [New Urban Lease Regime] was passed by law number 6/2006 (Diário da República 41, 2006), revised six years later with law number 31/2012 with the stated objective of dynamising the Portuguese rental market (Diário da República 157, 2012), and slightly altered again two years later with law number 79/2014 (Diário da República 245, 2014). According to the official site Portal da Habitação (2017) of the Instituto da Habitação e da Reabilitação Urbana (IHRU) [Institute of Housing and Urban Regeneration],

[...] the urban lease reform of 2006 failed to provide a sufficient response to the main challenges faced by urban rental —especially those related to the contracts with rents previous to 1990, with the difficulty of carrying out refurbishment works in leased buildings and with a complex and slow eviction procedure.

The amendments introduced to the law number 6/2006 in 2012 were a condition included in the Memorandum of Understanding that was signed between the government and the Troika in May 2011:

In particular, the reform plan will introduce measures to: i) broaden the conditions under which renegotiation of open-ended residential leases can take place, including to limit the possibility of transmitting the contract to first degree relatives; ii) introduce a framework to improve households' access to housing by phasing out rent control mechanisms, considering the socially vulnerable; iii) reduce the prior notice for termination of leases for landlords; iv) provide for an extrajudicial eviction procedure for breach of contract, aiming at shortening the eviction time to three months; and v) strengthen the use of the existing extrajudicial procedures for cases of division of inherited property. (European Commission, 2011, p. 31).

The amendments made to the urban lease regime in 2012 flexibilised the duration of the contracts, eliminated the minimum rental terms, and established a by-default length of two years for residential and five for non-residential use in absence of further specifications. Additionally, by virtue of the new legislation, the automatic renovation of a contract may be avoided by the landlord by notification to the tenant at least 60 days in advance for contracts between six months and one year; at least 120 days in advance for contracts between one and six years; and at least 240 days for longer leases. Furthermore, residential contracts signed before 1990 became subject to a rental-renegotiation mechanism between both parties —with the only exception of tenants older than 64, vulnerable, or severely disabled. The process of adaptation of older contracts to the new regime was shortened and simplified, and rents of residential properties are now subject to update after five years of occupancy —the Social Security being generally in charge of the problems that may derive from the overhaul. The NRAU also facilitates the eviction of non¬compliant tenants, as well as the extintion of the contracts when major refurbishment works are planned (Diário da República 157, 2012; Portal da Habitação, 2017).

JLL Research (2016, p. 11) indicates that the amendments made to the urban lease regime in 2012 were motivated by the need to “normalise rents” and, “[...] along with a special eviction procedure that enables leases to be terminated more quickly in cases of default by the tenant, has already started to produce results.” Indeed, according to this source:

Thanks to amendments made to the urban lease law, thousands of degraded buildings in our cities have become interventional. And therefore today, we have developers from all over the world rebuilding the historic centres and changing Lisbon and Oporto’s urban landscapes at a steady pace. Buildings in ruins are being replaced by quality projects. Thus, life in our cities is being completely transformed, gaining unstoppable momentum, creating an energy that attracts both people and trade. Streets are reborn, as buildings are inhabited by Portuguese, as well as many foreigners from so many origins who, every day, buy homes in Portugal. (JLL Research, 2016, p. 4).

In her interview, the president of APPA defined the NRAU as “the eviction law”. Both the general manager of EastBanc Portugal and the president of Habita highlighted in their interviews the fact of the removal of rent controls on commercial and residential property being one of the conditions of the Troika's bailout in 2011. The former highlighted the fact of this legal reform having “[...] unlocked lots of spaces that were closed and allowed new things to be opened and investors to invest”. In contrast, the latter argued that this policy was included as a part of what she defined as “the Troika's blackmail” —despite the fact of the liberalisation of the property rental market having “nothing to do” with the public budget. After the collapse of the model of suburban development and the stop of the credit flow towards the Portuguese middle class in 2008, Silva argued that real estate investors turned the attention towards the historic centre, which “[…] offered high profitability opportunities based on luxury regeneration and high-end developments. But since most of the residents in the historic centre were tenants, it became necessary to change the lease law to rapidly and easily evict them [...]”.

The coordinator of Lisbon Tourism Observatory argued that the NRAU "[...] had a great impact on the historic centre. There was a shift from being able to do nothing to being able to do anything. Tourism has been crucial for urban regeneration and this reform was very important to stimulate it". According to member of the Citizenship Academy Leonor Duarte, "residents are being evicted in the historic centre. Buildings are sold and the new owners only need to say that they'll refurbish them —even if it's false, because nobody checks—and they can end the contracts." Meanwhile, the marketing manager of Habitat Invest explained that the NRAU allows landlords to come to agreements with old tenants —who were paying "derisive" rents—and proceed to the refurbishment of their properties. This is consistent with the view expressed by the president of ALEP, who argued that the most important effect of the NRAU was to allow the renegotiation of old rents. Due to the fact of landlords who do not live in their own properties but lease them instead being predominant in Lisbon's historic centre, he indicated that the impact of this new legislation was especially remarkable in that territory:

> *properties were empty and 12% were second homes, so 42% of the 15 thousand properties in the four parishes of the historic centre were not permanent residences. Low rents were passed on from parents to children and landlords refused to do any maintainance. It was a tacit agreement, since tenants knew they were paying extremely low rents, but there was always pressure to get rid of tenants paying 40 or 50 euro.*

In 2012, according to the president of ALEP, all those landlords who were able to start the rent-update process under the NRAU did so, but there is still a large elderly population above 65 years of age and many low-income tenants who remain relatively protected under the new law:

> *There were tenants paying 60 euro who had returned to their hometowns but kept their apartments in Lisbon to come sometimes. So in 2012 landlords wanted to get rid of their tenants even if they had no specific plans for the property; it was preferable to empty it and then see what to do, because otherwise they couldn't sell it, they couldn't lease it, they could do nothing with it. Thousands of rent-update processes started. There was a transition period of five years and then rents were liberalised. 2017 will be a crucial year because that period will end for many —but not for those above 65. For those below 65, the tenant had to make a proposal and the landlord had to make another one. In absence of agreement and in order to extinguish the contract, landlords had to pay the tenants a compensation worth "x" times the rent they had proposed. The higher the rent a landlord would propose, the higher the indemnisation he would have to pay to remove the tenants. But still, many found it worth it to pay; others activated the transition period that will end now in 2017.*

In April 2016, the Portuguese Parliament introduced a new amendment to protect the historic shops, threatened by soaring rents and eviction orders as a consequence of the liberalisation of the rental market. The period of transition for old rents to adapt to the new legislation was extended 10 years until 2027 for those establishments of cultural and historic interest and older shopkeepers were protected from eviction even if refurbishment was planned by the respective landlords. In summer 2016, the three parties supporting the Portuguese center-left national government agreed to extend the five-year transition period that was initially considered in the NRAU of 2012 until 2022.

6 GOLDEN VISA PROGRAMME AND NON-REGULAR RESIDENT TAX REGIME

Since it was launched in 2012, the Golden Visa programme awards the Portuguese residence permit and the right to move freely within the Schengen area to those foreign citizens making significant investments in Portugal. JLL Research (2016) estimates that 90% of the investment received through this program was allocated to the real estate sector. According to the information available from the Chamber of Commerce Portugal-India (2016), the Golden Visa programme applies to investment on real estate property worth at least 500 thousand euro acquired free of charges or mortgages after October 8, 2012 and before the application for the residence permit. The requirements of this scheme include a minimum stay of seven days during the first year and two weeks during the following periods of two years. The residence permit —which must be applied for within a maximum of three months after the entry in Portugal—is initially issued for one year and then renewed for periods of two years. After five years, the permit becomes permanent and one year later the Portuguese citizenship may be issued. However, the Chamber of

Commerce Portugal-India specifies that the properties bought under the Golden Visa scheme may be freely rented and let for commercial, agricultural, or tourism purposes. In case of acquisition and refurbishment of properties that are more than 30 years old or located in designated urban regeneration areas, an investment of 350 thousand euro is enough for being eligible for a Golden Visa (JLL Research, 2016).

In September 2009, the non-regular resident tax regime was implemented by the Portuguese government with the stated objective of attracting foreign high-skilled professionals and pensioners and their wealth. Since then, this scheme has been available for those citizens who are deemed resident in Portugal for tax purposes but have not been so during the five years prior to the year that will be taxed under that regime. According to the legislation, fiscal residence is available for those citizens spending a yearly stay of more than 183 days on Portuguese territory; for those having a dwelling and the intention to maintain and occupy it as their habitual residence; for the crew of airplanes and ships of companies based on Portuguese territory; or for the expatriate employees of the Portuguese State. Under this special regime, non-regular residents benefit from a reduced flat personal income tax rate of 20% for a non-extendable maximum period of 10 consecutive years as long as the fiscal requirements are met throughout that term. The list of high-added-value professionals that may apply for a special non-regular resident tax includes architects and engineers; visual artists, actors, and musicians; auditors; doctors and dentists; teachers; psychologists; liberal professionals, technicians, and alike; and investors, managers, and directors.

While the income obtained in Portugal from the listed activities by non-regular residents is taxed at the reduced rate of 20%, any income obtained abroad that is taxed by the source state is totally exempt from taxation by the Portuguese authority. In the case of employment income, this holds even when conventions to eliminate double taxation do not exist but the former has been taxed by another state. Self-employment, capital, real estate, and surplus incomes obtained abroad are totally exempt from taxation if they have been taxed by the source state when conventions eliminating double taxation are in force, or if they have been taxed by any country other than those included in the list of tax havens of the Portuguese State —even when conventions do not exist (Autoridade Tributária e Aduaneira, 2016). Furthermore, since January 2013 any pension income generated outside the Portuguese territory —even if it was not taxed in the country of origin—is totally tax exempt under the non-regular resident regime. JLL Research (2016, p. 11) indicates that "[t]he competitiveness of the Portuguese regime compared with similar regimes in other countries has resulted in important investments in the national real estate sector." According to this source, "[s]everal foreign citizens, mainly French, have purchased a house in Portugal, attracted by the advantages of Non-Habitual Residents Benefits and also by the quality of life that Portugal offers." (p. 12).

Asked during his interview about the impact of the Golden Visa programme and the non-regular resident tax regime on Habitat Invest's activity, Ernesto Portugal said that both programs —added to the removal of rent controls—have significantly increased foreign investment and this has materialised in more urban regeneration. Indeed, he mentioned those three policies as the most crucial public decisions behind the ongoing transformation of Lisbon's historic centre: "A large part of our customers are Golden Visa holders. The non-regular resident tax regime has had more remarkable impacts on the French and Scandinavian markets, but I think it still has a lot to deliver". According to partner at ERA Chiado/Lapa Nuno Martins, the Golden Visa programme has been especially useful for attracting Chinese investment but the non-regular resident tax regime has a more significant impact nowadays: "Three or four years ago, the Golden Visa was very important. Then, due to some irregularities that were identified, it dropped while fiscal incentives skyrocketed. Since the beginning of 2016, the Golden Visa programme has grown again".

While acknowledging that the Golden Visa programme has absorbed housing stock and thus increased prices in benefit of all real estate investors, the general manager of EastBanc Portugal stated a more favourable opinion on the non-regular resident tax regime:

> *I don't like the Golden Visa programme too much, but I think the non-regular resident tax regime is good. It attracts Europeans who are culturally closer, and a higher social layer of people who will open businesses here, who will bring entrepreneur initiatives... the Golden Visa attracts people with half a million euro —now they only need 350 thousand— who arrive here and then don't show up again. They spend here, what, seven days a year? I don't find that very interesting, I don't think it's positive for the country. I think the non-regular resident regime is. It brings people with higher educational level, many entrepreneurs who must stay here at least 50% of the time and*

> *therefore will be doing something here. And it's very-high-income people. With the crisis we lost lots of brains. Whoever was able to leave, left. So now Portugal needs to attract smart people with initiative and training.*

In his interview, president of ALEP Eduardo Miranda explained that the Golden Visa programme had a great impact on the housing stock at Parque das Nações —usually known asthe Expo since the area was developed to host the International Exhibition of 1998. Since 2014, once that real estate stock had been sold out, Golden Visa investment would focus on the prime area of Chiado. Both areas meet the requirements of the type of investor that is usually attracted by this scheme:

> *Chinese and Brazilians tend to like good, modern, large apartments. Chinese investors used to be taken to Alfama and then to the Expo. After seeing those tiny flats in Alfama, they were willing to buy anything at the Expo. They were horrified; those millionaires don't want to live in tiny apartments. That was the marketing strategy.*

The property type that Golden Visa applicants often seek in Lisbon is very expensive in the historic centre and, according to Miranda, that programme has even inflated the prices of real estate properties targeting this group of wealthy investors: “Properties worth 350 or 400 thousand euro went up to 500 thousand. Then it inflated the prices of those worth 200 thousand, because the purchase of two properties worth 250 thousand each is also accepted. For them it's cheap anyway”. The current crisis in Brazil and the traditional linkages of the Brazilian elites to Portugal was also mentioned by Miranda as a key factor to be taken into account in order to understand the phenomenon of real estate investment under the Golden Visa scheme. Those elites, he argued, are worried about the situation in Brazil and seek “[...] a B plan to protect their wealth. They want value outside the country in case everything goes wrong, and assume that real estate property in Portugal will always gain value”.

According to Miranda, the Golden Visa programme brought a total foreign investment of 500 million euro during the first semester of 2016 —450 of those having been invested in real estate property. However, he also argued that it has not been the Golden Visa scheme attracting the gratest share of foreign investment towards the Portuguese real estate market. This took off in 2014, he indicated, with the non-regular resident tax regime that allows foreign investors to

> *[...] pay 20% instead of up to 50% of tax. If they earn 4,000 euro, they save 1,000 just from taxes. Before 2013, it was required to be a fiscal resident here —i.e. to spend at least 183 days in Portugal— to be eligible. Since then, those purchasing a property to be used as permanent residence are also eligible. Even if they're still working on its refurbishment and still live in, let's say, France, the fiscal residence is already here. But some have been required by the French State to sell their home there to be allowed to be taxed in Portugal. This programme is the core, the engine of urban regeneration in Lisbon. It encourages Belgians, Scandinavians... and mostly French to purchase property in Portugal. Some 25 thousand French are estimated to have come to live here in the last years. It's them who have changed the real estate market in Alfama, Mouraria, Bica... and boosted refurbishment. It's very difficult for a Portuguese to find properties to buy there now because they're all being sold to foreigners.*

7 THE RISE OF HOUSING PRICES

President of APPA Maria de Lurdes Pinheiro argued that only the wealthy can afford an apartment in Alfama since the liberalisation of the rental market in 2012. During his interview, Miguel Coelho expressed serious concern about gentrification in Santa Maria Maior: “Many of the residents are not reaching the benefits of this [urban] transformation. Urban regeneration is neither bringing more residents nor delivering more comfort to the existing ones. In fact, the opposite is happening: it's forcing them to leave”. Focusing on the neighbourhood of Mouraria, Inês Andrade explained that “we lose population because people can't afford a house here anymore; prices have increased a lot”. According to Leonor Duarte, “inhabitants are disappearing from the historic centre, which is planned to be left just for tourism and luxury housing. The population loss is constant and the attempts to secure the existing population are unsuccessful because the housing issue is not solved”.

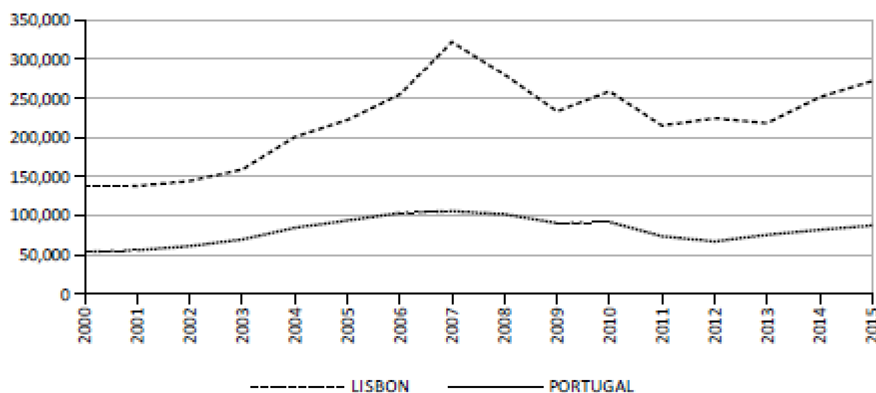

Figure 3 -Average value (€) of traded dwellings (Instituto Nacional de Estatística, 2017b)

The number of housing sale/purchase contracts increased 22.3% in Portugal and 105.9% in Lisbon between 2012 and 2015 (Instituto Nacional de Estatística, 2017a). As shown in figure 3, the average value of the traded dwellings was 26% higher in 2015 than in 2011 in Lisbon and 18.2% higher in Portugal as a whole (Instituto Nacional de Estatística, 2017b). Urban regeneration explains the new dynamism of the Portuguese real estate sector, "[...] owing to greater demand from international investors, fuelled by the potential of tourism and the international public's growing interest in high and medium-high quality housing products." (Cushman & Wakefield, 2016, p. 14). In Lisbon's historic centre, the average housing price increased 22.3% only in 2015. A total of 2,199 sales worth 709 million euro were registered that year in that urban area —11% and 37% more respectively than in 2014 (Confidencial Imobiliário, 2016). According to the consulting firm Cushman & Wakefield, the average asking price in Lisbon was close to 3,000 euro per square metre by the end of 2015.

Housing supply for permanent residence has dropped significantly due to the proliferation of tourist apartments and the multiplication of global investors attracted by the profitability of urban regeneration. The incapacity for most locals to afford housing in that area expands demand and pushes prices up also in the periphery. Miguel Coelho indicated that in 2013 a one-bedroom apartment in Alfama costed between 80 and 150 euro a month and three years later it costs between 1,000 and 1,500 euro. Ernesto Portugal indicated that in 2013 Habitat Invest was selling apartments for 3,000 euro per square metre and now they are doing so above 6,000: "There has been a general sustained growth and I believe this trend will continue in the next years, because we're still far from the values of other European capitals". For Eduardo Miranda, any improvement in those areas where rents had been kept very low triggers gentrification: He argued that "even without the foreign market and the tourists, those rents were unsustainable; they would rise to 350 or 400 euro. Students have paid 250 euro for years and pay 300 for a room in good condition".

Pedro Miranda highlighted that "if you're paying 200 or 300 euro and the rent suddenly rises to 1,000 —if the landlord wants to lease the apartment on a monthly basis at all—then how can you afford that?" Nuno Martins indicated that prices have become really high in some areas of the historic centre —upto 10,000 euro per refurbished square metre in the most expensive ones: "that's very high for the national reality, it's brutal, but there's a small percentage of the population with lots of capital who can reach that". He identified a "growing disequilibrium" between high demand and low supply in the real estate market of the historic centre. Martins also indicated that, in little more than one year, the price of the refurbished square metre increased from 2,500-3,000 to 3,000-4,000 euro in the area between Infante Santo avenue, Áurea street and Príncipe Real —with the exception of the premium areas of Chiado and Lapa. "This has obviously made housing less affordable in Lisbon; prices were 30% lower just one year ago", he argued.

According to André Moura, "prices have rosen, of course, but that's the market law: if something becomes more attractive it automatically becomes more expensive —unless there are public policies of price control, which may work during a given period". He argued that some years ago "[...] people didn't want to come [to the historic centre] because it was old, it wasn't interesting, it wasn't appealing. Now they want to because it's beautiful and appealing, but what's beautiful is more expensive, that's the current model."

Ernesto Portugal interpreted the increase of real estate values as a positive phenomenon stimulating a market that used to be stagnant. He acknowledged that "access to housing may be more difficult" now, but

highlighted that degraded dwellings in derelict buildings are being replaced by a high-quality refurbished apartments.

According to the president of Habita association, "urban regeneration is good, but this regeneration is expelling the inhabitants because it's not for the people who live here". Councillor for Housing and Local Development Paula Marques argued that "it's a fact that urban regeneration has created a disequilibrium when it comes to social mixture. We shouldn't demonise tourism because it generates economic activity and employment, but the imbalances that it generates must be addressed". She added that "a city needs to be inhabited by a diverse population. Tourism and tourists are welcome —we're also visitors elsewhere. Mixture is welcome —Lisbon has always been inhabited by very diverse people". However, she highlighted that "[...] we need to address the issue of real estate speculation that is linked to the Golden Visa programme and to foreign investment that isn't focused on residence but on speculation".

8 CONCLUSION

The ongoing global commodification of Lisbon's historic centre is stimulated by a highly investor-friendly legal framework designed in the context of economic crisis and austerity to attract foreign capital towards the Portuguese economy. Specific policies with strong influence over Lisbon's derelict urban fabric were implemented that include the new urban lease law, the non-regular resident tax regime, the Golden Visa programme, and several fiscal and administrative incentives to facilitate urban regeneration.

Despite its undisputed success in bringing foreign investment, boosting the refurbishment of derelict buildings in the historic centre, and dynamising the construction, real estate, and hostelry sectors, that legal framework has triggered new forms of gentrification. As it stimulates demand on external markets with greater purchasing power, it is a crucial factor of the rise of housing prices above the financial capacity of the local population in a context of crisis and austerity. Moreover, properties purchased and refurbished by global investors are often used by their new owners not as residences but as commodities.

Against this background, grassroots movements claiming the right to the city have emerged in Lisbon and are actively advocating housing affordability to counteract the identified trends and its inherent threats. Not only are they demanding policy changes but engaging in the public debate and participating in the elaboration of urban policy alternatives. Social movements flourish at the local scale under neoliberalism and austerity, and Lisbon is not an exception as the local community starts to organise against the commodification of the city and to elaborate specific alternative policies prioritising the social function of housing and the right to the city. With local elections to be held in October 2017 and the transformation of the historic centre occupying a central position in the agenda, it remains to be seen how much influence these and other initiatives that may emerge will have on urban policy in the near future.

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