

HOUSING PRICES IN PORTUGAL AND THE COVID-19 PANDEMIC

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Abstract

During the 2010s decade, Portugal witnessed a steep surge in house prices, akin to trends in other European countries. This work aims to: i) analyse the reasons that led to the increase in housing prices in Portugal; ii) discuss the impacts of COVID-19 on the housing market; iii) study the evolution of housing prices during the pandemic; iv) understand how the COVID-19 pandemic has affected the housing market. The analysis adopts a quantitative approach and is based on official data from 2016 to 2023, providing a comprehensive view of the housing market in Portugal before, during, and after the pandemic. Preliminary findings suggest that the pandemic had minimal impacts on the housing market.

Key-words: housing, housing market, real estate, Covid-19, Portugal

1. COVID-19 and public health

Over the past 100 years, developed countries have not been significantly affected by major epidemics, partly due to advances in modern medicine, hygienic-sanitary conditions, antibiotics, and vaccinations. The last generations have not experienced a global disease's devastating and uncontrolled spread (Loomis, 2018).¹ Although developed societies have considered themselves immune to epidemics and pandemics, the COVID-19 global pandemic revealed several weaknesses and new challenges.

Infectious agents have impacted humans from their very inception. It is thought that the interaction between these agents and humans increased significantly during the Agricultural Revolution and the onset of sedentarization when humans started to cohabit in delimited spaces (Loomis, 2018). Throughout history, diseases have influenced battles, caused the decline of civilizations, helped spark revolutions, and, above all, shaped the history of humanity (Oldstone, 2010; Snowden, 2020).

The Industrial Revolution led to an increase in the population density of urban spaces. With this revolution came a new working class living in precarious dwellings, which provided ideal conditions for contagious outbreaks (Laxton and Rodger, 2013; Loomis, 2018). Sanitary improvements to urban spaces started in the middle of the 19th century, primarily due to cholera, measles, and tuberculosis outbreaks in some of the largest European cities. These public health interventions generally enhanced people's quality of life and transformed the experience of those living in urban areas (Bassett, 1993; Belchem, 2006; Laxton and Rodger, 2013; Loomis, 2018, Snowden, 2020; Antunes, 2021b).

Large cities have always been prone to the spread of infectious diseases, as is the case with COVID-19. In more recent years, the growth of large metropolitan areas, high population densities, overcrowded houses, inadequate transport networks, urban sprawl into forest habitats, globalization, and the expansion of international road, rail, port, and air transport connections have created endless opportunities for the spread of infectious diseases (McNeill, 1998; Loomis, 2018; Snowden, 2020; Oldstone, 2010). As stated by the United Nations, urban areas have become the pandemic's epicentre, with an estimated 90 per cent of all reported COVID-19 cases (UN, 2020).

1.1. The Portuguese housing market before COVID-19

Between 2010 and 2020, the Portuguese real estate market underwent substantial changes and was presented with new challenges (Farha, 2017; Antunes, 2018, 2019a, 2019b; 2020; Mendes, 2018a, 2018b; Santos, 2019; Franco et al., 2019; Gonçalves et al., 2020; Xerez et al., 2020). Briefly, these changes were motivated by internal and external factors:

- Internal factors include political and legislative decisions, such as the liberalization of the rental market, the creation of incentives for foreign investment, compassionate legislation for short-term rental, and the legal-normative facilitation of rehabilitation interventions.
- External factors were those that were hard to control in the globalized market, such as the investments of international real estate funds and hotel groups, the growth of urban

¹ Although epidemics were common in some of Portugal's most significant cities until the end of the 19th century, the country had not suffered from pandemic outbreaks since the Spanish Flu in 1918 (Rodrigues, 1990, 1995).

tourism, the emergence of new forms of housing use, such as short-term rentals (reducing the houses available in the market), and the wide variations in European Central Bank interest rates.

These internal and external pressures are visible in large Portuguese and other European cities. These factors are often associated with phenomena such as “housing financialization,” “touristification,” and “gentrification” (Brenner et al., 2012; Aalbers, 2012, 2016, 2018; Colomb and Novy, 2016; Wetzstein, 2017; Hughes, 2018; Lees and Phillips, 2018; Fuller, 2019).

In summary, the Portuguese real estate market underwent major changes in the decade before the outbreak of the COVID-19 pandemic. Following the conceptualization suggested by Antunes & Seixas (2022), we debate some factors contributing to the current housing market scenario.

- Liberalization of the rental market: since the 1990s, substantial changes have occurred in the Portuguese rental market. First in 1990 with the legal framework "Regime do Arrendamento Urbano" (RAU [Urban Lease Regime]), later replaced in 2006 by the "Novo Regime do Arrendamento Urbano" (NRAU [New Urban Lease Regime]). While in the case of the RAU it is possible to speak of "normalisation" in the rental sector, after several decades of protectionism, the years that followed brought an apparent liberalisation of the market, which reached its peak in 2012, with the wide-ranging legal changes introduced to NRAU (Antunes, 2018, 2020, 2021a; Mendes, 2022). It should be emphasised that the legal changes made in 2012 came as a result of the impositions in the 'Portugal: Memorandum of Understanding on Specific Economic Policy Conditionality', signed in 2011 as part of the Troika's intervention (i.e. the International Monetary Fund, the European Commission and the European Central Bank) (Antunes, 2020). The legal changes made in 2012 clearly liberalised the rental market, seeking to promote its dynamics at the expense of contractual protections for tenants, which was particularly visible when it came to so-called 'old contracts' (contracts signed before the Urban Lease Regime of 1990) (Antunes, 2020). For some authors, this rental market liberalisation led to gentrification (changes to the social fabric) and touristification, aided the conversion of residential dwellings to touristic spaces (hotels, hostels, and short-term rentals (Mendes 2016, 2017, 2018, 2019, 2020; Carvalho et al., 2019, Lestegás, 2019; Lestegás et al., 2019).
- Housing policies promoting homeownership: another critical factor was the historical housing policies that preferred homeownership. According to IHRU (2015), between 1987 and 2011, 73% of the funding provided in the State Budgets for housing was used for "interest rate subsidies on mortgage loans". This political strategy prioritised access to homeownership through mortgage loans, which were only accessible to the middle class, leaving out the lower-income households (Antunes, 2020).
- Fiscal exemptions for foreigners: more recently, it is worth highlighting the fiscal exemptions that arose due to the 2008 financial crisis. In the last 15 years, various legal structures have been created to attract foreign investment, such as the 'Special Tax Regime for Non-Habitual Residents' in 2009, the 'Residence Permit for Investment purposes' (better known as the "Golden Visa") in 2012 or, more recently, the fiscal incentives for "digital nomads" (Antunes, 2020). These measures aim to attract foreign capital, promote economic growth, and create opportunities for the host country and

investors. However, these political measures, notably the Golden Visa, have affected the housing market, including price increases and public disapproval, especially in urban areas (Santos & Strohmaier, 2024).

- Growth of urban tourism: the growing attractiveness of urban tourism can be linked to increased investment in short-term rentals (STR) (Arias-Sans and Quagliari-Dominguez, 2016; Cocola-Gant, 2016; Gurran and Phibbs, 2017; Wachsmuth and Weisler, 2018). STR can be understood as providing rooms or entire houses to guests (tourists) for short periods, often publicized on digital platforms (e.g. Airbnb). This accommodation type has become increasingly popular in urban tourist destinations, such as Lisbon, as it allows property owners to earn additional income. At the same time, holidaymakers enjoy experiences that are closer to local daily life and generally more affordable (De Barros & Novo, 2023). With the increase in tourists visiting Portuguese cities, there is a greater demand for STR. An example of this is the exponential boost in the number of STR spaces in the municipality of Lisbon, which went from an almost non-existent reality in 2010 to more than 20,000 STR spaces in 2020 (Antunes & Ferreira, 2021). Concerning the municipality of Lisbon, Antunes & Ferreira (2021) questions specifically about the STR ‘how much is too much’, from the perspective that each dwelling used for tourist accommodation has no residential use for a local family, thus potentially removing that dwelling from the housing market. The same authors also found that Lisbon downtown concentrates 14% of all STR in Portugal. Due to this set of factors, STR has come to be associated with contemporary urban phenomena such as ‘touristification’ (Barata-Salgueiro, et al., 2017; Seixas, 2019a, 2019b; Antunes & Ferreira, 2021), ‘gentrification’ (Mendes 2016, 2017, 2018, 2019, 2020; Carvalho et al., 2019, Lestegás, 2019; Lestegás et al., 2019) or even the ‘financialization of housing’ (Santos, 2019; Tulumello & Allegretti, 2021; Drago, 2021).
- The international appeal of the Portuguese real estate market: the growing international attraction of the Portuguese real estate market is also perceptible in the increase in real estate transactions carried out by foreign citizens and global real estate funds. In the case of private individuals, this has been mainly due to increased interest in living in Portugal (or buying a second home in the country), while in the case of international funds, the reason is due to the recognition of a profitable investment that also works as a secure financial asset. Lisbon and Porto entered directly into the international real estate investment circuit as some of the more attractive cities in the European market for real estate and tourism investment (ULI and PwC, 2019).
- Legal-normative facilitation for rehabilitation interventions: It should also be pointed out that since the 2010s decade, building rehabilitation has been favoured over new construction. Various mechanisms have been created for this purpose, such as the 2014 “Regime Excepcional para a Reabilitação Urbana” (RERU), which softened the standards imposed by the “Regulamento Geral das Edificações Urbanas” (RGEU), making interventions less costly and demanding. In addition, financial mechanisms were created, such as the “Instrumento Financeiro para a Reabilitação e Revitalização Urbana”, known as IFRRU 2020 and co-financed by European funds (Antunes, 2018; Xerez, Rodrigues & Cardoso, 2018; Seixas & Antunes, 2019; Antunes & Seixas 2022). The preference for rehabilitating rather than building has decreased the number of dwellings built in Portugal. For example, in 2022, only 20,156 dwellings were built, a figure that can be compared with the 115,154 dwellings built in 2001 (the lowest was

recorded in 2015, with 7,148 dwellings built).² It therefore seems rational to assume that the number of homes built during the 2010s, an average of 16,000 per year, may have contributed to not increasing supply adequately, limiting the number of homes entering the housing market. Also, in this context, it should be noted that in 2022, the residential construction sector accounted for around 3.9% of GDP in Portugal, which is lower than the EU average of 5.9%.³

- Euribor rates: another element in understanding the Portuguese housing market is the role of Euribor rates. About this topic we can identify two critical moments: i) during 2008/2009, there was a period of all-time records for Euribor, reaching around 5%, triggering a series of events, including an increase in household effort rates, an upsurge in bad debt, an inflow of dwellings onto the housing market and a decrease in the housing prices due to excess supply face low demand; ii) Euribor interest rates decreased until reaching negative values in 2015 (a trend that has recently been countered by an increase since the beginning of 2022). That is to say that between 2015 and 2021, the Euribor rate was negative, assuming a mortgage was more accessible and not so expensive. This perception of financial solvency contributed to a rise in house prices, as most families were willing to go further with their purchase price. Likewise, this is especially important as Portugal is a country where mortgages are monopolised by variable rates rather than fixed rates, as is commonly the case in the rest of Europe (Costa, et al., 2023).

Among others, these changes contributed to the increase in the housing prices in Portugal. In the Lisbon municipality, the average cost of a square meter was €1,875 at the beginning of 2016; by the beginning of 2020, the average cost reached €3,111. Although this increase is not connected to economic improvements or increases in net income in Portugal, it has affected housing prices in the purchase and rental markets. For real estate investors, this decade represented the “golden years” of Portuguese real estate. However, for individuals looking for a home, the price increase led to less housing accessibility and higher effort rates (Seixas & Antunes, 2019; Antunes & Seixas, 2020; Antunes & Seixas, 2022).

1.2. House prices in Europe

Portugal is one of the EU countries where housing prices persist in rising faster (Eurofound, 2023; Deloitte, 2020, 2021, 2022, 2023). Between 2010 and 2019 in the EU, housing costs increased by 8% for homeowners and 23% for tenants. The highest increases among tenants (over 40 %) were recorded in Portugal, Poland, Greece, Bulgaria, Estonia, and Latvia (Eurofound, 2023). Data on the evolution of house prices in the European Union, provided by Eurostat, confirms not only the trend of housing price rises in Portugal but also the fact that it has led the way over the years, along with countries such as Estonia, Luxembourg, and Hungary.

² “Completed dwellings in new construction for family housing”, Statists Portugal.

³ Residential construction - annual data, % of GDP, tipsna50, Eurostat.

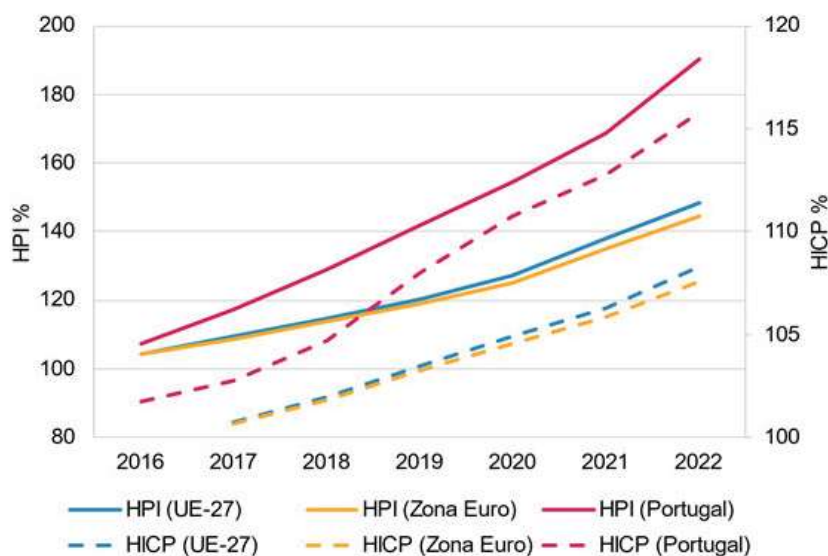


Figure 1 – Evolution of house price index (HPI) and harmonized index of consumer prices (HIPC).
Source: Eurostat.

According to Figure 1, it is possible to establish that not even COVID-19 has ended the housing market rise trend, with house prices increasing throughout the European Union. It should be noted, however, that recent Eurostat statistics from 2023 show that influential European housing markets, such as Germany and France, have witnessed a small downward in housing prices for the first time in several years.

2. COVID-19 in Portugal

The following timeline presents an overview of the evolution of COVID-19 in Portugal:

- On March 2, the first cases of COVID-19 were confirmed: two men who had returned from Italy and Spain.
- In the following weeks, the number of cases multiplied, including in public institutions such as schools and universities. On March 11, the World Health Organization declared the COVID-19 outbreak a global pandemic.
- On March 16, an additional 331 daily cases were confirmed, reaching a total of 1,157 cases, and the first death was documented. The Portuguese government decreed a "state of alert" nationwide on the same day. In this period, schools, universities, and various private and public entities decided to close indefinitely.
- On March 18, 2020, the government took a decisive step. It officially declared a 'state of emergency,' effective the following day, to limit the spread of the disease and the loss of lives as much as possible. The 'state of emergency' was renewed twice and ended on May 2, 2020. The "state of emergency" set the Portuguese population under lockdown.

During this period, citizens were prohibited from leaving their homes (with minor exceptions). The police controlled road movements within the country. The borders with Spain were limited to transporting goods, and international airports were closed for civil flights.

- On May 2, the "state of emergency" was lifted, and the country entered a "state of public calamity" (less severe for civil rights than a "state of emergency"). From that moment on, citizens could leave their dwellings without facing legal problems, and some economic activities restarted, but with restrictions. The borders were opened, and the government attempted to promote tourism, an important source of revenue for the country's Gross Domestic Product. Efforts were made to return to a normally functioning society (a so-called "new normal"). Even so, several measures were implemented to ensure social distancing during 2020. In 2021, there were other small moments of public health crisis.

The following timeline traces the spatial spread of COVID-19 during 2020:

- In March and April 2020, most cases were concentrated in northern Portugal, particularly in the Porto Metropolitan Area and more industrialized municipalities.
- In the following weeks, the pandemic grew, reaching the central region of Portugal. For example, on March 29, the Ovar municipality was the target of a cordon sanitaire, which lasted for 15 days.
- In May and June 2020, the focal point of the epidemic moved to the Lisbon Metropolitan Area, which began to register more than 50% of the country's new daily cases.
- At the end of May, official briefings and press releases announced that some more deprived communities (slums) in the Lisbon Metropolitan Area were facing high contagion rates, creating hotspots of contagion.
- In June, COVID-19 cases began to decline, and the government moved the country back to a "state of alert" (the lowest level). However, the Lisbon Metropolitan Area was placed in a "state of contingency" (an intermediate level) due to the higher number of infections in that region. Additionally, 19 parishes in the Lisbon Metropolitan Area remained in a "state of public calamity" until the end of July due to their very high new daily cases. These parishes around Lisbon are generally associated with lower-income households who use overcrowded public transport and must continue working during confinement. At the end of July, the situation in these 19 parishes normalized and the "state of public calamity" ended. The entire country remained in a "state of alert," except for the Lisbon Metropolitan Area, which endured in a "state of contingency".
- At the end of August, the number of new daily cases began to balance out, reaching a level between the Lisbon Metropolitan Area and the northern region of Portugal.
- Since then, COVID-19 cases have remained at lower levels than before, except for a few periods, such as at the beginning of 2021, when the government again limited various economic activities and services due to a new strain of COVID-19.

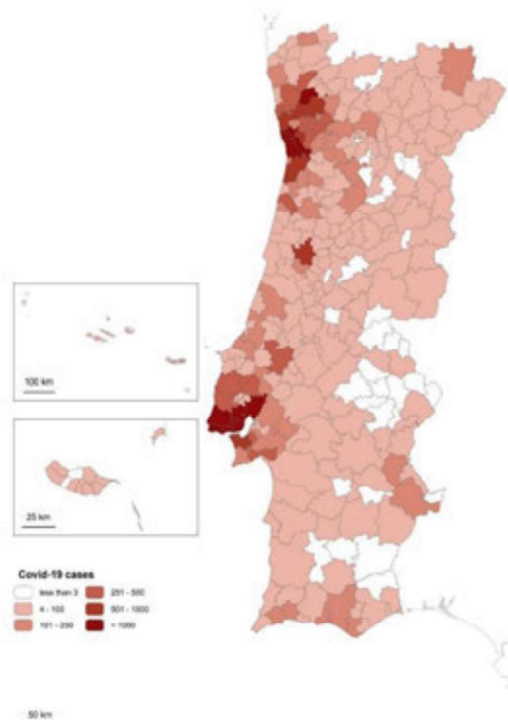


Figure 2 – Covid-19 cases in Portugal until August 31, 2020. Data source: Directorate-General of Health.

As shown in Figure 2, the most affected municipalities in Portugal were located on the coast. Some municipalities in the countryside experienced a few COVID-19 cases, while others were unaffected. This spatial difference allows us to draw a dichotomy between the Portuguese coast, which is mostly rural and contains small or medium cities.



Figure 3 – COVID-19 cases in Portugal, per day and cumulative cases (between March 2 and August 31). Data source: Directorate-General of Health.

According to the Directorate-General of Health, until August 31, 58,012 cases of COVID-19 were identified in Portugal, with 41,961 people recovered and 1,822 deaths. During August, the

number of infected people stabilized, reaching between 200 and 300 new daily cases (Figure 3). To prevent further difficulties with the return to work and the start of the new school year, the government announced that the country would enter a “state of contingency” starting September 15. his declaration aimed to prevent the country from returning to a “state of emergency,” the most severe level, which led to the lockdown in March and April. However, new small lockdowns had to be implemented in 2021 for outbreaks of lower intensity.

2.1. COVID-19 and the Portuguese housing market

As discussed earlier, in the second half of the last decade, the housing sector underwent an increase in international investment, the growth of urban tourism (especially the short-term rental), the touristification of Lisbon and Porto, higher pressures in the real estate market, the gentrification of downtown areas, and a surge in residential prices and effort rates for households.

In the first months of COVID-19, several doubts were raised from an academic and political point of view as to whether the COVID-19 outbreak and its economic and social impacts could have consequences on the housing market and possibly break the upward trend in housing prices, launching a period of uncertainty and unpredictability.

COVID-19 also brought new concerns about the difficulties of households paying rent and home mortgages. As stated by the European Commission, the COVID-19 pandemic “*it is a severe public health emergency for citizens, societies and economies. It is putting national health systems under severe strain, disrupting global supply chains, causing volatility in financial markets, triggering consumer demand shocks and having negative effects across various sectors. It is threatening people’s jobs, their incomes and companies’ business. It has delivered a major economic shock that is already having serious repercussions in the European Union*” (EC, 2020b:1-2).

In response to the COVID-19 pandemic, Portugal adopted several emergency policies to contain the pandemic and provide relief to affected households, enforced in 2020 and 2021. It is also vital to highlight that the European Union decided to apply a broad economic stimulus to European countries in response to the pandemic crisis. The "Portuguese Recovery and Resilience Plan" was an essential support for the national economy, with a substantial part of the funds received being applied to matters related to the housing sector (Portugal, 2021).

3. Housing market: quantitative analysis

The quantitative analysis proposes identifying spatial and temporal patterns using statistical data from Statistics Portugal (Instituto Nacional de Estatística [INE]). We also formulated a theoretical-quantitative model called the ‘Housing Access Index’ (HAI) for this quantitative analysis. The formulation of the HAI (Figure 4) makes it possible to understand how access to housing has evolved in Portugal by correlating housing prices and household income. The methodological analysis presented in this paper has been developed in previous studies which analysed spatial and temporal housing dynamics in the Lisbon Metropolitan Area (LMA) (Seixas & Antunes, 2019; Antunes & Seixas, 2020; Antunes & Seixas, 2022).

'Housing Access Index'

Mortgages	Rental market
$AHV = A \times B$ $\frac{HAI}{100} = \frac{MP}{HI} \times 100$	$AHV = C \times B$ $HAI = \frac{AHV}{HI} \times 100$
<p>HAI: Housing Access Index. AHV: Average Housing Value. A: Median value of dwelling sales (€, by municipality, per m²).¹ B: Average usable floor area of dwellings (m², by municipality).² HI: Household Income (€, municipality).³ MP: Mortgage Payments.⁵</p>	<p>HAI: Housing Access Index. AHV: Average Housing Value. C: Median rental value for dwellings (€, by municipality, per m²).⁴ B: Average usable floor area of dwellings (m², by municipality).² HI: Household Income (€, municipality).³</p>
<p><i>Notes</i></p> <p>¹ 'Median value per m² of dwelling sales', from Statistics Portugal. ² 'Average usable area (m²) of conventional dwellings of usual residence', from Statistics Portugal. ³ 'Median value of gross reported income per tax household', from Statistics Portugal. ⁴ 'Median house rental value per m² in new lease agreements of dwellings', from Statistics Portugal. ⁵ Mortgage (monthly payments, simulation):</p> <ul style="list-style-type: none"> ▪ Mortgage of 90% of HAI; ▪ 30-year mortgage; ▪ Euribor 12 months; ▪ Spread 1.000%; ▪ Other compulsory costs (insurance, etc.). 	

Figure 4 – Housing Access Index.

As portrayed in Figure 4, the HAI calculation is subdivided into two formulas: homeownership and rental market. The HAI for buying a house is calculated in two stages: i) based on data collected from the INE, the average price of housing is calculated by multiplying the "median value of the square metre" and "average usable surface area of family dwellings"; ii) the mortgages are calculated based on bank simulations (considering the conditions mentioned in Figure 5), and the HAI value is obtained after weighting with net family income. In its turn, the HAI for renting is also based on multiplying the "median value of the square metre" (for renting) by "the average surface area of family dwellings", followed by weighting with net family income, from which the HAI is obtained. These calculations are always carried out and repeated for a given territory at a given time.



Figure 5 – NUTS II, Portugal.

For this research, the HAI were calculated for house purchases for NUTS II (Nomenclature of Territorial Units for Statistics II, in Portugal) and the Autonomous Regions of Azores and Madeira between 2016 and 2022 (Figure 5). Regarding renting, the calculation was made for the same statistical units, but between 2017 and 2022. This means that the analysis carried out in this paper is essentially national, but the observation is subdivided on a regional scale. It should be noted that a new statistical division came into effect in January 2024, reorganizing the distribution of Portuguese NUTS II and III, which this work already considers.⁴

3.1. Access to housing: housing purchasing

According to Table 1, between 2016 and 2022, the square metre price rose sharply in all the NUTS II, with the same scenario occurring in the Autonomous Regions. Table 1 also provides an insight into the different rhythms, trends and spatialities of housing appreciation.

⁴ These changes mainly concern the NUT II Lisbon Metropolitan Area (LMA), which was annulled and subdivided into NUT II Grande Lisboa and NUT II Península de Setúbal. This work already respects the new statistical organisation. Still, the LMA figures are maintained to better understand the national/regional evolution.

Table 1 – Evolution of the square metre price and HAI, when purchasing a house, in the NUTS II regions, Portugal, between 2016 and 2022. Source: Statists Portugal and own elaboration.

	2016		2017		2018		2019		2020		2021		2022		Variation Rate (%) (2016 - 2022)	
	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH
Norte	692	29	731	31	795	31	869	33	977	37	1 065	37	1 169	38	69	31
Centro	575	24	600	25	652	25	679	25	784	29	815	28	861	28	50	17
Oeste e Vale do Tejo	600	24	627	25	665	25	702	25	815	29	865	29	923	29	54	21
AML [previous]	1 125	31	1 210	34	1 283	34	1 355	35	1 535	40	1 668	41	1 885	44	68	42
Grande Lisboa	1 139	32	1 250	35	1 451	39	1 698	44	1 875	48	1 998	49	2 241	51	97	59
Península de Setúbal	784	24	838	25	928	27	1 038	29	1 184	33	1 350	35	1 513	37	93	54
Alentejo	586	23	581	22	639	23	651	23	685	24	717	23	746	23	27	0
Algarve	1 222	48	1 296	49	1 424	52	1 562	56	1 721	61	1 836	61	2 095	66	71	38
R. A. Açores	611	25	645	26	677	26	737	28	807	29	867	30	939	31	54	24
R. A. Madeira	974	36	1 033	38	1 143	40	1 197	41	1 258	42	1 310	41	1 481	43	52	19

In 2016, the NUTS II that topped the list for square metre prices for house purchases were Algarve (1,222€/m²), Grande Lisboa (1,139€/m²), Autonomous Region of Madeira (974€/m²) and Península de Setúbal (784€/m²). However, this changed by 2022, with Grande Lisboa (2,241€/m²), Algarve (2,095€/m²), Península de Setúbal (1,513€/m²) and Autonomous Region of Madeira (1,481€/m²) taking the lead.

Regarding the results of the HAI for house purchases, it can be seen in Table 1 that between 2016 and 2022, the highest HAI values were found in the NUTS II Algarve, Autonomous Region of Madeira, Grande Lisboa, and Norte. However, there have been some changes in their position over the years. In this analysis, the Algarve region has the highest HAI (i.e., house prices and net incomes have the most significant gap). Table 1 also shows that Grande Lisboa and Península de Setúbal were the statistical units with the most important variation in the square metre price, with HAI values over 90%.

3.2. Access to housing: rental market

The HAI for renting tends to be higher than the HAI for buying, indicating more difficulty accessing the rental market. In most of the NUTS II, the price of the square metre is on a steady upward trend, apart from the Alentejo and Autonomous Region of the Azores, both of which showed a slight decrease in 2021 compared to 2020, and the Autonomous Region of Madeira, where there was a drop from 2019 to 2020 (Table 2).

In 2022, the NUTS II with higher square metre prices were Grande Lisboa (9.97€/m²), Península de Setúbal(7.50€/m²), Algarve (7.05€/m²) and Autonomous Region of Madeira (6.81€/m²). However, the rate of change shows a different pattern, as the top are Península de Setúbal (60%), Grande Lisboa (53%), Norte and Algarve (41%).

Table 2 – Evolution of the square metre price and HAI, when renting a house, in the NUTS II regions, Portugal, between 2017 and 2022. Source: Statists Portugal and own elaboration.

	2017		2018		2019		2020		2021		2022		Variation Rate (%) (2017 - 2022)	
	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH	m ²	IAH
Norte	3.83	53	3.96	52	4.36	55	4.72	59	5.00	60	5.41	62	41	17
Centro	3.25	44	3.35	44	3.56	45	3.76	47	4.07	48	4.28	48	32	9
Oeste e Vale do Tejo	3.31	44	3.42	43	3.65	45	3.89	47	4.20	49	4.48	49	35	13
AML [antiga]	6.06	56	6.50	58	7.54	65	8.42	73	8.68	73	9.29	75	53	32
Grande Lisboa	6.53	61	7.02	62	7.68	68	8.58	74	9.35	79	9.97	79	53	31
Península de Setúbal	4.68	47	4.94	48	5.87	54	6.22	58	6.84	62	7.50	64	60	37
Alentejo	3.45	44	3.52	43	3.56	42	3.83	45	3.82	43	3.95	42	15	-3
Algarve	5.00	56	5.27	64	5.93	70	6.54	79	6.74	78	7.05	77	41	38
R. A. Açores	3.48	47	3.57	46	3.85	48	3.97	49	3.95	47	4.37	49	26	5
R. A. Madeira	5.15	63	5.32	63	6.00	68	5.98	67	6.15	66	6.81	69	32	11

In the case of renting, the HAI shows more significant regional heterogeneity, particularly in the variation rate (2017-2022), where the Algarve is the NUTS II that suffers the most significant increase (38%), while in NUT II Alentejo the HAI decreases by 3 percentage points. Thus, although there are different rates, all the statistical regions, except for Alentejo, show a generalised upward trend in the HAI.

4. Access to housing: exploratory lessons

4.1. Contemporary trends

Over the last decade, access to housing in Portugal has been progressively limited, both for buying and renting. The HAI values observed make it practically impossible for average-income households to purchase or lease a house. The analysis carried out in the previous chapter refers to NUTS II. At the same time, when analysed on a municipal scale, the situation is much more complex, with territories experiencing very high housing prices that are out of line with national average incomes.

As mentioned, the evolution of regional patterns is highly heterogeneous. However, the rise in the square metre price is a generalised reality throughout the country for buying and renting. Regarding purchasing a home, in 2022, some statistical regions showed high HAI values, namely the Algarve (HAI 66), followed by Grande Lisboa (HAI 51), the Autonomous Region of Madeira (HAI 43), Norte (HAI 38) and Península de Setúbal (HAI 37).

Regarding renting, all the NUTS II and Autonomous Regions had an HAI above 40. The situation is dire in the NUTS II Grande Lisboa (HAI 79), Algarve (HAI 77), Autonomous Region of Madeira (HAI 69), Península de Setúbal (HAI 64) and Norte (HAI 62).

It should also be noted that this heterogeneity is caused by the considerably unequal housing price rises in the different territories, which may indicate socio-geographic mutations. This disparity in price rises reflects the regional complexities of the housing market. It suggests an evolving socio-geographic and demographic dynamic, with potential future impacts on the structure and distribution of the population.

The data suggests that renting requires more financial effort from families than buying (Figure 6). This situation highlights significant weaknesses in the housing needs of lower-income social

households, who generally opt for renting. This situation also negatively impacts the population's residential mobility, which is low in Portugal. Consequently, the difficulties in accessing housing are growing both in buying and renting.

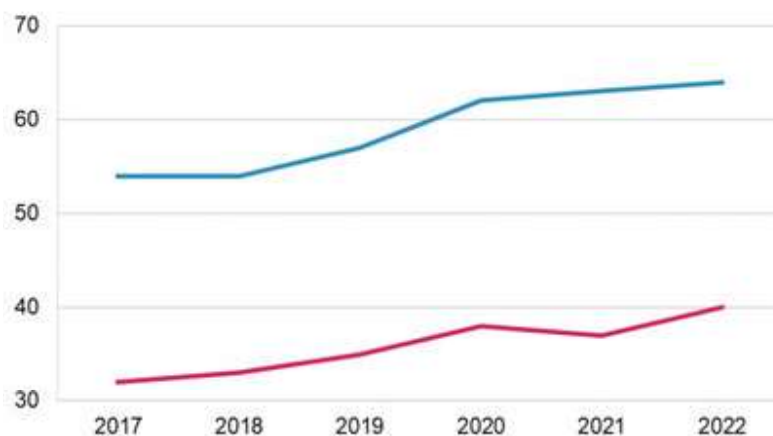


Figure 6 – Evolution of HAI between 2017 and 2022, NUTS II, Portugal. Red line purchasing market and blue line rental market.

In general, it is possible to identify that in Portugal, access to housing has been made difficult continuously since 2015, placing this topic on the academic, political and media agenda. Therefore, it is not surprising that housing is an established right (ie. the right to housing) in various international declarations and protocols, for example, in the Constitution of the Portuguese Republic (Antunes, 2021a). In this context, it should also be noted that vulnerable populations, such as people experiencing homelessness, immigrants, refugees and low-income households, face additional challenges in accessing mortgage loans, meaning they are compelled to turn to the rental market (formal and informal). In addition, these lower-income households, or migrant and historically stigmatised communities, often face discrimination in the rental market, increasing the problem of access to housing (Costa, 2023).

4.2. COVID-19 impacts and new challenges

As can be seen from the analysis above, the COVID-19 pandemic has not had a significant impact on the housing market. Although during 2020, there were several doubts about the real estate market's ability to continue its upward trend due to all the social and economic setbacks posed by the pandemic, the data confirms that the trend of house price growth has not been broken.

Although some stagnation or even small falls can be identified in 2020 and 2021, the Portuguese housing market has continued the trend it has been on since 2015, with the price of homes growing in both the purchase and rental markets.

More recently, Portugal and Europe faced new challenges that could impact the housing market, such as the inflationary crisis, the war in Ukraine, and the rise in interest rates decreed by the European Central Bank. Although the data present in this paper are not temporally comprehensive for rigorous analysis, it can be indicated that in Portugal, none of these new

challenges had an impact on the housing market in 2022 or 2023, according to the new existing statistical data. Nevertheless, quite recently, in 2023, some critical housing markets, such as France and Germany, recorded their first annual drops in several years, possibly because of inflation and high interest rates. The spread of this change to other markets cannot be ruled out in the future.

For all these reasons, Portugal's governments have initiated various housing policies and strategies in the last decade to relieve the problem of access to housing. Of particular note in 2018 was the “Nova Geração de Política de Habitação” (New Generation of Housing Policies), which had no significant impact on the housing market. Later, several extraordinary measures emerged in the context of COVID-19, as discussed in this paper.

More recently, new strategies have been presented. In 2023, the centre-left government introduced the "Mais Habitação" (More Housing) housing strategy, which included various efforts, such as rental support, mortgage support, restrictions on short-term rentals, coercive use of vacant private housing and rent control. After extensive political and public debate, these measures were implemented at the end of 2023. Already in 2024, the Portuguese government changed, and the new centre-right government presented its housing strategy, called "Construir Portugal" (Building Portugal). This housing strategy maintained previous policies that supported rents or mortgages but revoked less consensual ones, such as restrictions on short-term rentals and the coercive use of vacant private homes. The new policies are also more market-related, with various tax exemptions and support for private companies and housing cooperatives.

The debate that took place in 2023 and 2024 around housing policies is quite interesting, as it highlights the ideological differences in the Portuguese political spectrum when it comes to the problem of housing. In fact, in Portugal, the 'centre-left' and the 'centre-right' proposals are quite divergent, even in the most moderate parties. This situation is not unique to recent years, and the political divergence, the permanent abolition of previous policies and the dissolution of previous strategies is a long-standing problem in Portugal, which does not allow for the consolidation of stable and durable housing policies.

5. Final considerations

In the second half of the 2010s, house prices began an upward trend that can be identified in most European countries. It can be verified that since 2015, Portugal has been one of the European Union countries that recorded the most significant annual rises. This situation has led to greater difficulties in accessing housing, in a pattern that is widespread throughout Europe and, as has been recognised. On the European and national scene, there have been no significant trend breaks during COVID-19 (in 2020 and 2021), as might have been expected during the suspension of economic activity and lockdowns.

Looking particularly closely at Portugal, it is possible to understand that the NUTS II most under pressure are Algarve, Grande Lisboa, and Península de Setúbal. It could thus be indicated that there is a differentiated situation in the Algarve and Lisbon Metropolitan Area; these statistical regions are generally under more pressure than the others.

However, as indicated above, it should be emphasised that the observation restricted to NUTS II has some analytical limitations, as, for example, can be noted in NUTS II Norte, which covers very different realities from the "deep countryside" and the urban concentration of Porto

Metropolitan Area. Nevertheless, although Porto Metropolitan Area is not directly analysed in this study, as it is a NUTS III and not a NUT II, its situation on access to housing is not as severe as in the NUTS II Algarve and Lisbon Metropolitan Area (Grande Lisboa and Península de Setúbal). However, as expected, the figures for the Porto Metropolitan Area (as NUTS III) are very different from the NUT II Norte. These and other limitations of this study can only be overcome in a more comprehensive and disaggregated analysis, which, using a multi-scalar approach, can carry out spatial-temporal analyses of NUTS II, NUTS III, municipalities, and parishes following the development of this project.

The trends have impacted the Portuguese housing market in the last decade and highlighted housing as a financial asset. Access to housing has a direct impact on people's quality of life and well-being. During the last decade, the right to housing, the right to the city, and spatial justice were not priorities in public policy discussions. As these trends evolve, they threaten to exacerbate urban inequalities and metropolitan fragmentation. Eventually, this could worsen socio-spatial segregation and create “exclusive zones” for the wealthiest citizens and “excluded zones” for the poorest, producing further social and urban tensions.

Considering the above, Portugal today faces a clear problem of access to housing, which is generalised throughout the country and more significant in large urban areas, particularly under pressure. Regarding access to housing, real estate appreciation has not been accompanied by increases in household income in the same proportion and pace, thus conditioning access to housing year after year in a situation that no longer only affects the lower-income households but the middle class in general.

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