# The housing problem and the evolution of homeownership culture: from "clandestine' neighbourhoods to second homes

*José Olivei*

*Lusophone University of Humanit and Technologies (ULHT), Lisb*

In Portugal, the relationship between housing, especially housing ow ership, and socio-economic development has had several aspects tl can be analysed through examining changes in attitude and behavic over time. On the demand side, two types of behaviour can be hig lighted: *i)* the "geniality" of some solutions to overcome the housi problem that enabled avoiding the degrading alternative of living slums; *ii)* the subordination of some key aspects of the quality of urb life to what is new or in fashion. On the supply side, two approaches c also be highlighted: *i)* the advantage taken of the weaknesses of tl state, either through disrespect for land use regulation, or by pressu over some parts of the territory, using the local governments' need attract investments that would ensure increased income generation local level; *ii)* preference for new construction by spreading new housir lots and avoiding the risks of uncontrolled costs that the recovery of ol housing can entail.

The housing problem in Portugal has not been sufficiently studied. I geography, and taking into account only research that has addresse this phenomenon in a holistic manner, besides the pioneering contribu tions of Salgueiro (1982), Patrício (1985) and Ferreira (1994), only spe cific situations at the level of some neighbourhoods have been most fre quently studied. In fact, there has been a declining interest in issue linked to the market (the simple twofold equation of supply and de mand, or production and consumption) as the analytical framework fo which many data and findings are available that would allow the con struction of synthetic models (Guerra 1997) and production of new models that would be more complex and closer to the factual trend: (desirably, of an intelligible polynomial level so that th not hinder the detection of harmonious geographic p···erns) that shape the Portuguese social, economic and cultural change.

In a country which in 2001 (the year of the latest population and housing census) had a ratio of 1.4 homes per classic family[145], and where in 2009 (year of the most recent available data for this study) great housing problems of all kinds for a large number of people still occur, there seems to be a dysfunctional basic problem: a conflict between the persistence of a private housing market that does not correspond to the demand (but to which society has to provide responses) and that is therefore irrelevant as regards the declared constitutional right to have a home, along with the combined growth of supply and demand which in the multiplication of housing units apparently found the answer to the lack of other investment opportunities that can ensure and strengthen sufficiently attractive future revenue.

In an economy heavily dependent on construction and public works - not only by having an industry that, for various reasons, has always faced strong international competition, but also because it exhausted some models, or never managed to consolidate an intrinsically innovative service sector - investment in housing comes as the natural way of

[145] According to INE (National Institute of Statistics), a classic family is: "A group of people who reside in the same home and who have relationships (legal or de facto) with one another and may occupy all or part of the housing unit." It is also considered as classic family any independent person occupying a part or all of a housing unit. Domestic household workers are also included in the classic family, provided they do not move all or nearly all weeks to the residence of the respective family" (INE 2002). This definition is important because until 1930 general population censuses integrated the concept of family with the concept of "fire" (port. fogo), or, in fact, of the fireplace as equivalent to "home" (only in 1940 was the concept of nuclear family introduced), so that the number of families was equal to the number of occupied housing units, while there was no record of housing vacancies. Furthermore, the first general housing census was carried out only in 1970, together with the population census, on the basis of a sample-based estimate of 20%. Only since 1981 have statistics become truly reliable, with a confidence level approaching 100%. Currently, the old concept of "fireplace" (or, home) is understood as a housing unit, which can be shared by several families, that is, also according to INE, "all or part of a building equipped with independent entrance and consisting of one or more compartments for housing and of complementary private spaces" (INE 2002). The origin of the term "fireplace" for home has been the subject of debates. For some, its origin lies in the "sacred fire" that used to burn in Roman households, but for those who reject mythology, the fire was the aggregator of a family or a group of families living under the same roof and the fireplace was where meals for all were prepared.

applying savings where levels of interest rates largely depend on speculation as the mai: ngine of housing price formation. From a country with a large housing deficit, Portugal has become a country with a housing stock surplus. On the one hand, the reasons for the housing deficit can be explained by:

- the legacy of an old and inadequately renovated housing stock, thus with poor supply in terms of contemporary hygienic and sanitation requirements;
- the intense internal migration flows that provoked new housing needs in major urban areas;
- the generalised financial insolvency of families, which has not leveraged timely responses on the part of the construction industry.

On the other hand, the reasons for the recent housing surplus can be found within three other factors that are interrelated with the ones mentioned above:

- the investment opportunity in a sector that is short of supply and has had high rates of return on capital;
- the promotion of a "home-ownership culture" in a context where the rental market either didn't exist, or was uncertain in terms of profit returns within a context of high inflation rates;
- in correlation with previous observations, the shrinkage of the rental market, the decline in inflation rates and the resulting fall in interest rates actually consolidated the "home-ownership culture", supported by the banking sector's strategies to widen their markets.

Also, all the initiatives or public policies that guarantee the constitutional right to housing promoted after 1974, contributed to the reconfiguration of an insolvent demand, which went from "slums" to "social housing development", mixed with a new housing demand arising from two key sets of factors: *i)* international migration to Portugal, which, especially after 1992, has taken a large number of jobs in public works and construction, *ii)* the relative tolerance (grounded in overwhelmingly inefficient national public services)[146] towards receiving the new immi-

[146] This inefficiency largely results from the fact that Portugal has only recently moved from being a sending to a receiving country in international migration streams, which was reflected in the legal inconsistencies regarding the rights to

grants who nowadays actually sustain the country's population growth and, more recently in a context of stronger controls over their employers, help the national social security system to overcome its crisis. Nowadays, those same immigrants constitute a very important segment of the housing market.[147]

Regarding the international migration to Portugal, one cannot ignore the enormous efforts to "put an end to slums" in a context where, in some situations, these were traded for exorbitant sums by those who benefited from "new municipal housing" making that same opportunity available to their buyers.148 As regards receiving the new immigrants who nowadays actually sustain the country's population growth, it is wrong to think that "new demands" were not established on the basis of exploiting the opportunities provided by a "welfare state" in consolidation, mainly since Portugal joined the former European Economic Community in a context where the battle against social exclusion was already envisaged as a national priority.

Any assessment of the state of housing in Portugal cannot set aside one more aspect that has marked the country's ancient and recent history, as well as synchronically and diachronically structured the national existence and fate: emigration. The emigration phenomenon in Portugal has created two major effects on the housing market: first, it spurred the construction industry to try to respond to a legitimate desire to make "home in one's land of origin" for retirement (the emigrant's desire to

residence. This was resolved only in 2007 with the publication of the law that establishes the legal regime of foreigners' entry into, stay at and exit from the national territory (Law 23/2007 of 4 July). Likewise, another legal act was also adopted only in 2007 (Regulatory Decree 84/2007 of 5 November), with a preamble stressing that "the law is based on a balanced and realistic option: to encourage legal immigration, deter and combat illegal immigration, fight bureaucracy, exploit new technologies to simplify and speed procedures, to innovate solutions".

[147] A survey of 800 immigrants residing in the municipality of Sintra in 2010 revealed that 17.4% of them already owned a housing unit and 12.7% actually wanted to buy a house (4.8% of them already took concrete steps in that direction).

[148] Several cases that illustrate this phenomenon were revealed in a study made in 2002 for the Municipality of Amadora aimed at updating information on two poor illegal neighbourhoods (the slums of Portas de Benfica and of Alto dos Trigueiros), located on the boundary with Lisbon, in order to resettle the residents. In this neighbourhood, mainly occupied by immigrants from Cape Verde, barracks were sold to other families so they could be entitled to a home in the new social housing development.

"return to their land"), which was then reflected in a muddle of architectural forms (M atinho 1997); second, it has led to investments which, though they cannot be considered speculative given the fair returns obtained, ultimately helped to inflate a market with strong associated inertia.

In addition to having induced an "economic migration", which corresponded to a "social migration" from agriculture to construction and then to the tertiary sector, emigration became – primarily through remittances of foreign currencies and later through direct investments – a major "driving force" of the national economy since 1970s, and to a certain extent, until today.[149] In fact, apart from foreign investment and EU funds, it is difficult to distinguish other growth factors that are not anchored in a productive structure that has been historically uncompetitive and heavily dependent on low wages as the very reason that led (and continues to lead) to the emigration phenomenon.

The following sections put forward a contribution to the clarification of two kinds of articulate but antagonistic problems that continue to affect Portugal in the 21st century: *i)* strong growth in housing construction together with *ii)* the persistence of all kinds of housing problems.[150]

## The origins and consequences of the housing problem in Portugal

Taking into account a legacy which still affects how the Portuguese housing market works – such as the rents freezing laws, the fact that the country did not suffer directly the results of the two World Wars, and the informal/illegal ways of solving some housing problems – this study will try to show how all this has emerged as the basis of another problem since the 1990s: strong growth in residential construction coupled with an inadequate demand. This demand has had to rely on banks for credit. But today those same banks promote a new segment of housing

[149] We use the phrase 'until today', because in spite the reduced emigration flows o the permanence in the destination country of the second and third generation o migrants, the emigration phenomenon is still active and many elders and familie of the countryside, mainly in the North, still depend on emigrant money remittances.

[150] In situations without minimal living conditions (poor sanitation, lack of toilet, o bathroom, or in a deteriorated stage with imminent collapse of the structure, usually with fallen-off plaster).

by seeking to attract new investors, including foreigners, taking advantage of the high quality environmental amenities in many parts of the country for the promotion of second homes, and particularly of residential tourism in integrated resorts.

Although the housing problem in Portugal has historical origins that date back to the beginning of the industrialisation of the 19th century, it was only during the First Republic (from 1910 till 1926) that some steps were taken to minimise the strong speculation that was felt in a market where supply was too poor and demand largely insolvent and in accelerated growth. One measure, called the "freezing of rents"[151] eventually became, and it is still today, the most important barrier to the proper functioning of the market, with clearly negative consequences for the public management of urban housing real estate.

Like all markets in a capitalist economy, despite the regulatory role of the state, the game between supply and demand determines prices. However, in Portugal, this game has not always been followed by the investors (on both the supply and the demand sides) in accordance with the state's explicit or implicit rules. This has resulted in an interesting and creative response by both the supply and demand sides, which still marks large parts of the urban landscape, particularly in the Lisbon Metropolitan Area (LMA).

The "illegal housing developments", which today are called AUGI (urban areas of illegal origin) and actually shaped important land use segments of the territory of the LMA's municipalities of Amadora, Loures, Sintra, Cascais, Oeiras, Almada, Palmela and Sesimbra, emanate from the investors' clever strategy to exploit the inefficiency of the state and the self-construction efforts which tried to replicate a piece of their rural place of origin in a big city (Ferreira 1985).

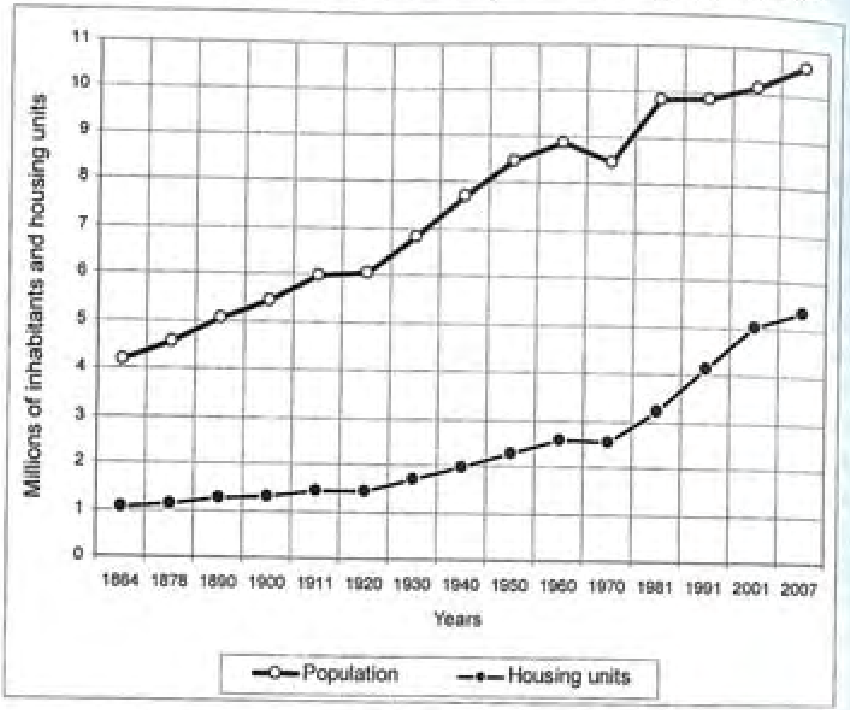
According to Brito (1976), the rural exodus towards Lisbon started in 1954. There is every reason to accept this time-benchmark as feasible given that in the mid-1950s a new round of large public works started across Portugal and especially in the LMA (the earlier round started in the late 19th century with the implementation of the New Avenues Plan, almost completed in the 1940s) which resulted in grandiose construction works. Apart from the start of the rural exodus to the capital, the mid-1950s were also marked by the intense emigration process towards a wide range of Western European countries, which was intensified after the outbreak of armed conflicts in the Portuguese colonies in Africa (Angola, Cape Verde, Guinea-Bissau and Mozambique) and, one year later, the loss of the territories of Goa, Daman and Diu to the Indian Union.

In fact, the migratory movements towards Lisbon and abroad intensified in the 1960s. In Lisbon, the housing options for less skilled workers were scarce and of poor quality. Aside from the so called "worker villages" (vilas operárias), whose origins dated back to the late 19th century, offering miniscule (sometimes under 20 m$^2$) family accommodation, the main options could be, among others: *i)* rooms or parts of houses to rent (often without toilets, huddling together different families or the extended ones, with more than six elements); *ii)* slums (e.g., in LMA, all along the roads between the suburban areas of Algés and Buraca, or from Portas de Benfica to Alfornelos, Casal Ventoso, Vale Escuro, Chelas and Picheleira); and, the "clandestine" (illegally built) neighbourhoods, such as Brandoa[152] at the gates of Lisbon, which had a more appealing aspect than a large slum.

[151] By adopting the Decree of 11 November 1910, the newly created Republic sought to mitigate any effects of housing speculation and freeze rents for a period of one year (Article 9). Similarly, by Decree No. 1097, of November 1914, this time due to the crisis caused by the onset of World War I, the old and newly contracted rents were frozen, with the exception of the higher priced rents, as stated in Article 1: "In the renewal of leases on urban properties, whose monthly rents do not exceed, at the adoption date of this decree, 18 Escudos in Lisbon, 15 Escudos in Porto, 10 Escudos in other cities and 5 Escudos for all the remaining lands of the Republic's mainland and adjacent islands, it is illegal for landlords to raise, without the consent of tenants, their rents, under penalty for qualified disobedience for being considered litigants in bad faith". But only in 1948, by the Law No. 2030 of June 22, did rents in the cities of Lisbon and Porto become permanently frozen. After 25 April 1974, this freeze was extended to the entire country. In 1990, new legislation was adopted to liberalise the market.

[152] The first illegal neighbourhood in the capital was Brandoa. It first attracted the poor social classes that first built their one-storey houses and then rather quickly evolved into a neighbourhood consisting of multi-storey buildings. Only by the great floods of 1967-68, at a time when TV was already part of many households (especially workers employed in services), was the country alerted to the phenomenon of illegal urbanisation. The regime censored the number of deaths resulting from that disaster, but it is presumed that the toll was about two hundred

Figure 1. Evolution of population and housing units (in millions), 1864-2001




Data source: INE (n.d. - a, n.d. - b, 2008).

Beyond these situations, an important number of people, usually young women working in domestic service, had guaranteed accommodation. Nonetheless, there was a usual sequence of change in housing conditions, starting with the rental of a room, moving to family formation or reunification and the search of a dwelling that the formal market most often could not provide, and, finally, accepting solutions such as "clandestine" neighbourhoods.

The "clandestine" neighbourhoods represent, as already mentioned, an elaborate way of exploiting the weaknesses of the state, both by promoters (supply) and by insolvent workers (demand) in the formal market. Probably the greatest contribution to the scientific evidence and understanding of this phenomenon was provided by Salgueiro (1972).

The location of these neighbourhoods was, as a rule, in the marginal areas of two municipal territories that were less controlled by the local government[153], or where the boundaries of municipalities were nc clearly defin (Salgueiro 1972). Such a site was usually located in th vicinity of a road covered by public transportation systems, with th connection to this road made by a pathway that could guarantee th discretion of the newly emerging neighbourhood. This strategic locatio was chosen by the "housing developer", who would buy a rural land an make a dirt road that would actually shape the form of lots on sal (hence the rectangular form of the neighbourhoods such as Quinta d Anjo in the municipality of Palmela, or Quinta do Conde in Sesimbra It was in the developer's interest that these illegal lots (illegal becaus they were not subject to the official licensing process and related urba infrastructure works) enjoyed a high demand. Hence their proximity t public transportation networks (Oliveira 1987).

The shape of these neighbourhoods, initially determined by tl course of the dirt roads made by the developer and limited by the sul divided property, was gradually conditioned by a succession of land o cupation strategies which had, in general, the following sequence: *i)* tl owner[154] of the 1/n part of the property (avo) would fence the lot wit side walls which actually contributed to the first outline of the urba streets; *ii)* the owner would plant fruit trees on the margins of the pro erty and build a small annex at the far end of the lot; *iii)* finally, tl owner would proceeded with the construction of the proper hous while the annex could be rented.

This was a more dignifying solution than the alternatives without s lution such as the slums (also clandestine and illegal) or the form housing market, too removed from the financial possessions of this kir

[153] This rule applies especially to military roads, where "military restriction and j risdiction" was making the managing responsibilities of city councils even mc difficult. However, in these areas of restricted public utility, shanty tow emerged, while an illegal neighbourhood (as understood here) was a response the social problem of the lack of housing, and not to the lack of money to ma use of this right in the context of the normal functioning of the market.

[154] An "*avo*" corresponds to a fraction of any value. In this case, the publicly reg tered contract between the developer and the owner stated that he/she was t holder of 1/x fraction(s) of a specific property. In this way, the land purchase w not illegal and the promoter was legally protected from what would constitut buyer's legal offence: the construction of a house on a rural property, where j one and only one house was permitted by the rule that still exists in the Por guese spatial planning law.

of agents. One could build a house of only 20-30 m², but there would be a bathroom with a waste pit, and on 200 or 300 m (the most frequent size of plots in illegal lots) there would be sufficient space for a flower garden or a small vegetable garden (Ferreira 1985). Also, electricity could be legally delivered as the supply of this utility by the monopolistic company had nothing to do with the legality of the construction as long as there was a public electricity pole nearby. A telephone could also be acquired under the same conditions, though its spread and wider use has been much more recent (Oliveira 1995).

This phenomenon initially characterised the more needy classes, but it soon became the legacy of other social groups, more affluent and able to invest. Hence, different realities emerged in terms of social composition or even urban quality, e.g., differentiating the county Quinta da Cabouco (on the south banks of the Tejo River), mainly occupied by workers of the former national steel industry, from the county Sao Domingos de Rana (on the northern banks, where the Tejo River flows into the Atlantic). The latter was originally a suburb marked by investment in second homes which quickly turned into first homes in the context of the consolidation dynamics of what is the LMA today.

### Democracy and first steps towards solving the housing problem

After 25 April, 1974 (i.e., the date when the dictatorial regime was overthrown by a coup d'état, followed by a modern parliamentary democracy), a major undertaking was: to legalise or, in other words, to urbanise the illegal neighbourhoods that were inherited, have arisen in the meantime, or continued to grow. Today this task still consumes a great deal of the resources of several towns in the LMA, such as Sintra, Amadora and Seixal.

After a previous cycle of housing policies promoted by Salazar's so called New State ("Estado Novo", from 1933 to 1974), which were for the most part directed at specific segments of the population (mostly civil servants, or public officials) with a sui generis urban design promoting, in addition to social segregation (Matos 1990), a rural setting that would dissipate protests against the regime (e.g., the distance between these neighbourhoods and workplaces did not allow much free time, while their urban design allowed for strong internal social control), new philosophies of social housing concepts emerged. One such new philosophy, based on massification and social ghettoisation, expanded, for example, problems of crime (Ferreira 1994). Another one, which promoted community conviviality, was not always welcomed by a large part of its beneficiaries. In fact, even nowadays it seems that "living on the left or on the right", without much interaction with the neighbours, was the greatest desire of the resettled to such neighbourhoods, rather than having to endure an intense neighbourhood community life which conditioned individual freedom.[155]

One of the first post-dictatorship initiatives was the SAAL Programme (Mobile Services for Local Assistance), designed by the architect Nuno Portas, appointed secretary of state for housing shortly after 25 April 1974. This program[156], with several adaptations, was inspired by the revolutionary experience of the movement of the "settlers" in Chile in Salvador Allende's times. In addition to providing assistance to the residents and their committees, the SAAL Programme also supported local government authorities. Truly emblematic in this respect was the neighbourhood Malagueira in the city of Evora, designed by the architect Siza Vieira. There, in addition to having helped the residents of "distressed neighbourhoods" in the process of housing recovery, reconstruction or new construction, the SAAL Programme also backstopped the local government in promoting a "new wave" of social housing. The recovery process of illegal neighbourhoods still continues and, despite a number of residents' objections, the overall balance is indeed positive. In fact, who would complain, after having participated in some investment in urban infrastructure and facilities, of owning a house that became more valuable in the formal market?

---

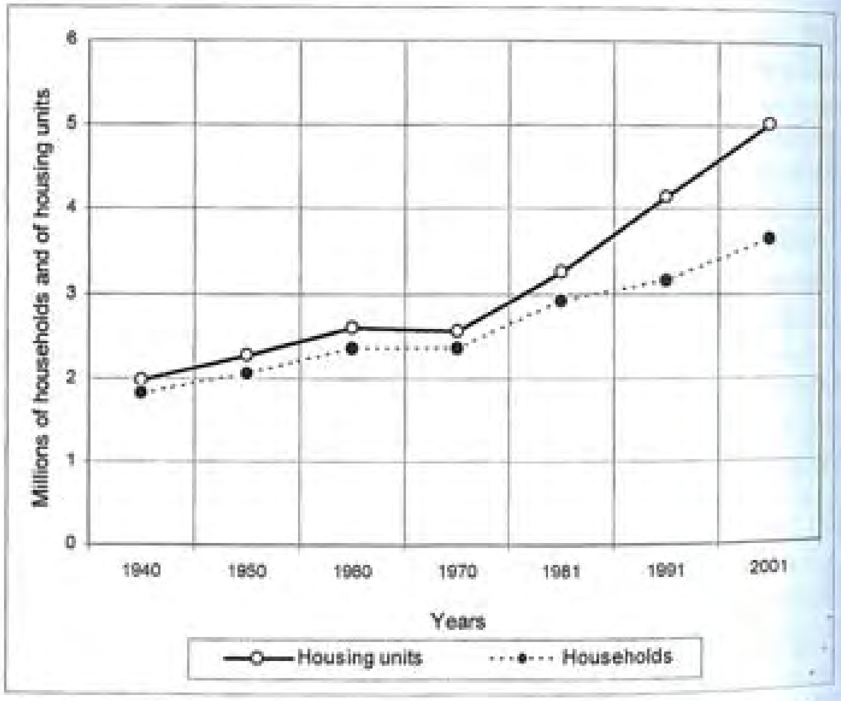
[155] This assertion is based on the results of interviews coordinated by the author in a survey of the public social housing development of Zambujal within the framework of the *Improving Zambujal* project fostered by the Institute of Housing and Urban Renewal, in 2009.

[156] The Mobile Service for Local Assistance (SAAL) Programme was created in July 1974 and terminated by the end of 1976. According to Ferreira (1987: 86), about 40,000 families in the whole country benefited from 174 operations launched by SAAL, and at the time of its closure there were 2,259 housing units under construction.

## The emergence of a new paradigm of access to h sing

Once the expansion of illegal construction was controlled and the efficiency in spatial management of counties increased with the introduction of municipal master plans during the 1980s, and given that a rental market was almost non-existent, the habit of housing purchase was expanded and reinforced. This expansion was supported by two driving forces: *i)* the state, by granting reductions on bank interest rates, either to couples with low income, or to the young; and *ii)* the bank, by financing construction and purchase[157] (Araújo 2008), with the state-owned bank *Caixa Geral de Depósitos* as the largest lender before the liberalisation of the banking market.

Figure 2. Evolution of the number of families and housing units (in millions), 1940-2001




Data source: INE (n.d. – a, n.d. – b, 2008).

[157] This happened although the interest rates varied, on average, from 18.5% in the mid-1980s to 3.2% in 2009.

A law passed in 1990 established a new legal regime of urban rents[158] by trying to min ise the effect of the earlier "freezing of rents" law. Nowadays all the contracts prior to 1990 continue frozen in respect to the base rent that can be updated annually according to a coefficient related with inflation rates. However, the rental market still did not ensure profitability for landlords (suspicious or insecure about the income obtainable from their properties on the market and, therefore, inflating the level of rents in a context of weak supply) and for potential tenants (too high rents). Thus, with the participation of the state and willingness of banks, a new legal housing paradigm based on what could be called "homeownership culture" continued to expand.

Along with the increasing demand for house purchase, a huge urban housing stock grew, involving quite different types of use and occupation. On the one hand, and referring to the city (or the county) of Lisbon as a particularly extreme case, situations of complete abandonment and consequent degradation of the leased buildings proliferated because the rents were far too low to fund restoration and maintenance work and also because landlords were hesitant, due to the previous experience of "rent freezing", to put the vacant housing on the rental market. On the other hand, the same type of situation abounded either because landlords were waiting for the building to become vacant and eventually be sold, or because they speculated about the increased value of the land occupied by such property. Although today municipal planning including the definition of "historical zones" with tight planning regulations, is an obstacle to this kind of speculation, the phenomenon o abandonment and the proliferation of vacant buildings, continues to be one of the most serious urban problems in Lisbon.

What has been the role of the civil construction and public works sector in the entire process described above? How important is housing construction and renovation of buildings in the activities of this sector? The answers to such questions are not easy, not only because of the

[158] The biggest change was the possibility to adjust the amount of annual rent on th basis of an index which corrected the effect of inflation. A legal instrumen adopted in 2006 went even further by enabling old rents to be updated (in a time wise phased manner) based on the net asset value of the buildings. For that, a rul was set which prohibits new annual rents from exceeding 4% of the net asse value, and which also takes into account a weighting coefficient of the building' preservation level.

poor quality of the statistical data, but also becau... the production of the built environment presents opportunities that i...rease the complexity of how the market works: firstly, overcoming the deficit inherited from many years without investment and, secondly, investing in real estate in the tourism industry, especially in the so-called residential tourism as one of its strongest components.

### The role of the construction industry sector

Similarly to other countries, in Portugal the sector of civil construction and public works (CCPW) has had an undeniable importance in the national economy as a whole. Within the matrix of technological relations between industry sectors, the CCPW embodies, if not with the highest intensity, at least a major diversity in terms of linkages with all other branches of economic activity. Within the matrix of domestic production, the CCPW corresponds to highest volumes of gross fixed capital formation (GFCF) and the employment generation[159], along with lower rates of imports (Lopes 2007).

In fact, the CCPW sector establishes relationships of all kinds, both upstream and downstream of production (input and output), with a wide range of activities. Upstream, many different productive activities that directly and/or indirectly supply the construction industry (cement, ceramics, steel, chemicals, textiles, capital goods, ornamental rocks, etc.), alongside with variety of project support services (architecture, engineering, market research, security, etc.) can be evidenced. Downstream there are all the activities dealing with, for example, marketing, equipment and decoration, as well as supply and distribution (water, gas, electricity, wastewater, etc.). As a corollary of this complex system of relationships, the CCPW's final product is infrastructure, equipments and buildings that are essential to the life of a society and, ultimately, as support to the very process of growth, e.g. economic and social development.

Like any other productive activity, the construction sector depends largely on the vitality of the economy; especially important is the amount and value of works commissioned by the public sector. Thus, in a phase of strong containment of public investment, the CCPW secto may enter a d... crisis which, given the sector's synergic relations an multiplier effects on other activities, will increase and spread negativ effects on the entire national economy.

In Portugal, as is the case with other European countries, the con struction sector has assumed – in economic terms and as regards em ployment and number of firms – structurally important significanc (Baganha et al. 2000). While in the EU-15, its average contribution to th GDP in 1996 was 10%, in Portugal it was 7% (Baganha et al. 2000). How ever, the construction sector in Portugal has had some special charac teristics since, in addition to the diversity of entrepreneurial circum stances, the country has been marked by a history and a practice whic is different from those of many other countries: the insolvency of th overwhelming majority of the population in the access to the housin market. Nowadays, from quite detailed and updated statistics at count level, available in the BELEM Database[160], it can be easily conclude that, at least in terms of the number of companies, the CCWP sector h always assumed a prominent role, usually just after commerce.

From a previous reality of thousands of micro-enterprises, today i Portugal several dozen of companies dominate, those which actual have the economic and financial power to meet the recent strong d mand for public works (over the past 20 years). In 2007, the value of e gineering and construction equipment allocated to public worl amounted to 75.4% of the revenues of companies with 20 and more en ployees (thus absorbing a major part of national resources, almost 100 public), while the value of other interventions (mostly private), main in residential real estate, amounted only to 24.6% (Table 1).[161]

This kind of the revenue structure in the civil construction and pu lic works sector rather flies in the face of common sense, given th people mostly associate that sector to the housing construction becau it marks larger stretches of landscape and, also, most directly interfer with people's income and savings.

[159] Some authors estimate that for every job generated by the construction activity three new jobs are created throughout the economy (Afonso et al. 1998: 22).

[160] BELÉM (Portuguese Database on Institutions and Firms), organised and upda by the INE, contains the addresses and basic information about Portuguese firm

[161] The available statistical data from the INE (construction and housing statisti are related to an annual survey of construction firms with 20 or more employee

Table 1. Revenues of construction companies with 20 or more employees, by type of construction, Portugal, 2005-2007 (%)

| % revenues by type of construction | 2005 | 2006 | 2007 |
|---|---|---|---|
| Buildings | 44.3 | 45.9 | 51.2 |
| Residential buildings | 23.4 | 20,2 | 24.6 |
| Non-residential buildings | 20,9 | 25.7 | 26,6 |
| Civil engineering construction (public works) | 55.7 | 54.1 | 48,8 |
| Total | 100,0 | 100,0 | 100,0 |

Source: INE (n.d. – c).

When considering the relationship between the housing construction and other civil engineering (public works), it is questionable to what extent the available official statistics are distorted by the underestimated share of micro-enterprises. It is likely that these enterprises actually absorb the concessions and building permits purchased by medium and large companies, apparently following the logic of "operative virtuality" that seeks to maximise flexibility in terms of labour acquisition (Baganha et al. 1998) and of complying with construction supervision regulations.

The sales volume associated with the construction of new housing has been grossly underestimated, not only due to problems of statistical data collection (only data on companies with 20 or more employees are available), but also because of the specific functioning of the construction business.

In fact, the ratio between the volume of sales made by the construction firms (Table 2) and the values of contracts for the purchase and sale of properties (urban, rural, or mixed buildings) (Table 3) is close to 1:1, even taking into account that: *i)* 80% of purchase and sale operations are transactions on urban buildings; *ii)* part of these transactions are not new buildings, and *iii)* some profit margin from these transactions has to be deducted.

Given that the firms with fewer than 10 employees generate over 30% of sales volume (Table 2) in the construction sector, any analysis of this sector that does not take their role into account is necessarily incomplete.

Table 2. Turnover (in million euros) of firms by economic activity and number of employees, 2007-08

| | 2007 | | 2008 | |
|---|---|---|---|---|
| | million € | % | million € | % |
| *All sectors of economic activity* | | | | |
| Less than 10 employees | 92033.3 | 25.9 | 92386.5 | 25.1 |
| 10 – 19 employees | 37793.1 | 10.6 | 40100.8 | 10.9 |
| 20 – 49 employees | 47952.1 | 13.5 | 49610 | 13.5 |
| 50 – 249 employees | 76681.3 | 21.6 | 81042.5 | 22 |
| 250 and more employees | 101231.5 | 28.5 | 105252.7 | 28.6 |
| | | | | |
| *Total of construction* | **35109.2** | **100.0** | **35987.8** | **100** |
| Less than 10 employees | 12019.3 | 34.2 | 11316.2 | 31.4 |
| 10 – 19 employees | 4491.3 | 12.8 | 4145.9 | 11.5 |
| 10 – 19 employees | 4491.3 | 12.8 | 4145.9 | 11.5 |
| 20 – 49 employees | 4551.4 | 13.0 | 4512.6 | 12.5 |
| 50 – 249 employees | 6931.7 | 19.7 | 7487.2 | 20,8 |
| 250 and more employees | 7115.6 | 20.3 | 8525.9 | 23.7 |

Source: INE (n.d. – d).

Table 3. Contracts of purchase and sale (in millions €) of buildings by geographical location and type of building, 2007

| | Value of contracts | |
|---|---|---|
| Territorial units (country/regions) | million € | % |
| *Portugal* | 29630.1 | 100.0 |
| North | 6352.6 | 21.4 |
| Center | 4132.2 | 13.9 |
| Lisbon | 11888.8 | 40.1 |
| Alentejo | 1794.2 | 6.1 |
| Algarve | 4155.9 | 14.0 |
| Azores | 436.7 | 1.5 |
| Madeira | 869.6 | 2.9 |

Source: INE (n.d. – e).

### The evolution of housing construction

The number of housing units occupied by the owners increased 35.9% at national level from 1991 to 2001. As expected, full ownership dominated (above 80%) in the rural areas, while in 2001 in the Metropolitan Areas of Lisbon and Porto it was 67.8% and 65.8 %, respectively. However, in these two areas of greater urban density there was a greater share of mortgaged owners (49.6% and 45.8% respectively, while in the rest of the country this figure was 22%). Furthermore, while 4.4% of all owners in the country with debt to banks had a monthly mortgage payment above 500 Euros, this was the case with 8.4% of owners in the region of Lisbon and 7.5% owners in the region of Porto.

There has been a great disparity between the market and real value of consumer goods, regardless of their durability. Specifically, it is difficult to understand how housing prices have increased within the Lisbon Metropolitan Area where, for example, a new 3-room house in the parish of Rinchoa (county of Sintra) costs as much as an old house of the same size in the parishes of Arroios or Anjos in the downtown of Lisbon.

New and old are two dichotomous adjectives which fit the Portuguese bipolarity in terms of attribution of value to goods (i.e., valuing more what is new versus devaluating what is old). Apparently, it is not functionality or location (or even the quality of the urban environment) which interests those looking for a new home but only its price (among other factors of virtual modernity) as long as they can pay for it (without calculating the costs of commuting between the home and the workplace), or for the desired social recognition. A striking example of this kind of consumer behaviour is the proximity between one of the country's largest old illegal housing developments, named *Quinta do Conde* ("Earl's Estate"), and a new housing development (in fact, a luxury gated community) right next to it but with a much less "noble" name: *Quinta do Peru* ("Turkey's Estate").

Although, in structural terms, the only available statistics point to the fact that the most important turnover component of construction firms is related to "civil engineering activities", it is nevertheless interesting to note that when the amount of transactions on buildings is taken into account, the total amount at national level is about €30 million, of which close to €9.5 million refer only to the Lisbon Metropolitan Area. This, in addition to the fact that little more than two dozen counties (i.e., much less than 10% of the national total of 308 counties) account for almost one third of investment in the construction of buildings, reveals huge geographical disparities in the application of public and private investments.

Public investments in roads and public facilities for collective use are, in general terms, equally distributed throughout the country, but private investments have been concentrated and reproduced in most densely populated areas. Private investments increased consistently at least until 2003 (growth rates slowed down in 2003 and 2007), which may have indicated the beginning of market saturation, with the consequent adjustments of construction activities.

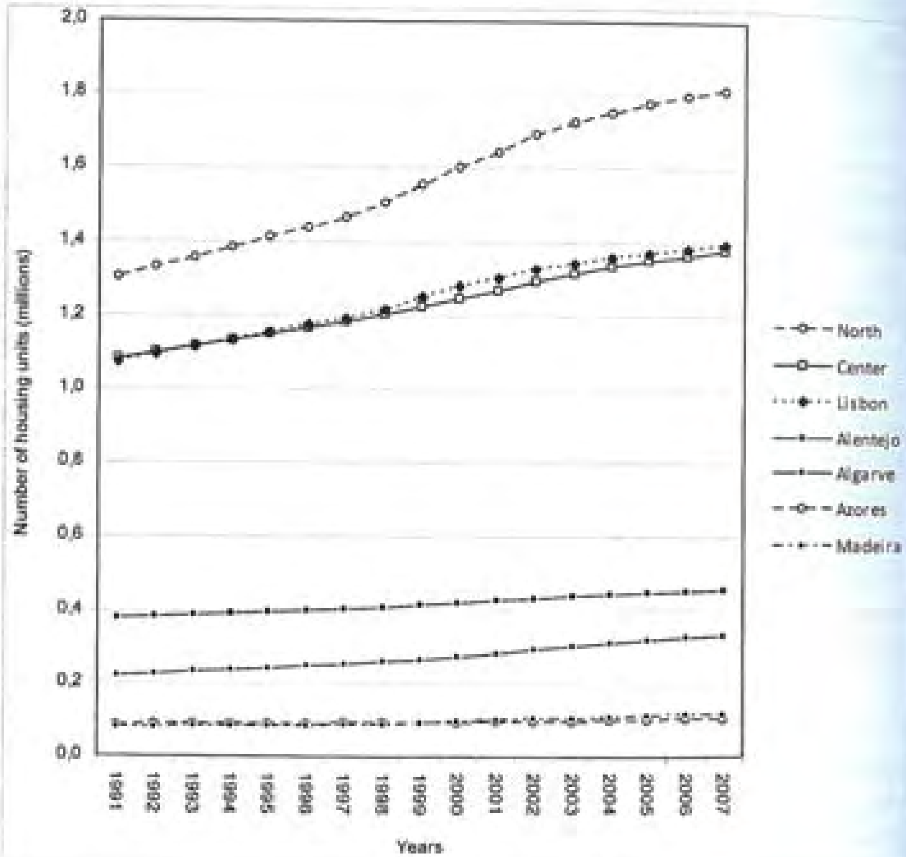
Table 4. Housing stock estimates, 1991-2007: housing units by NUTS-3

| | | Portugal | North | Centre | Lisbon | Alentejo | Algarve | Azores | Madeira |
|---|---|---|---|---|---|---|---|---|---|
| 1991 | | 4216541 | 1297894 | 1081789 | 1076267 | 376311 | 220476 | 84276 | 79526 |
| | % | 100.0 | 30.8 | 25.7 | 25.5 | 8.9 | 5.2 | 2.0 | 1.9 |
| 1997 | | 4668220 | 1465416 | 1181103 | 1191486 | 402137 | 253076 | 89380 | 85620 |
| | % | 100.0 | 31.4 | 25.3 | 25.5 | 8.6 | 5.4 | 1.9 | 1.8 |
| 1998 | | 4770778 | 1505628 | 1202474 | 1216493 | 407367 | 259563 | 90532 | 88719 |
| | % | 100.0 | 31.6 | 25.2 | 25.5 | 8.5 | 5.4 | 1.9 | 1.9 |
| 1999 | | 4893773 | 1555762 | 1224958 | 1248507 | 414106 | 267117 | 91422 | 91900 |
| | % | 100.0 | 31.8 | 25.0 | 25.5 | 8.5 | 5.5 | 1.9 | 1.9 |
| 2000 | | 5007100 | 1602099 | 1245460 | 1277803 | 420113 | 274954 | 92455 | 94214 |
| | % | 100.0 | 32.0 | 24.9 | 25.5 | 8.4 | 5.5 | 1.8 | 1.9 |
| 2001 | | 5106441 | 1641812 | 1265697 | 1298343 | 426050 | 283377 | 93410 | 97752 |
| | % | 100.0 | 32.2 | 24.8 | 25.4 | 8.3 | 5.5 | 1.8 | 1.9 |
| 2006 | | 5532754 | 1794791 | 1362439 | 1381147 | 451974 | 326320 | 101726 | 114357 |
| | % | 100.0 | 32.4 | 24.6 | 25.0 | 8.2 | 5.9 | 1.8 | 2.1 |
| 2007 | | 5590370 | 1811833 | 1375526 | 1392250 | 456193 | 333834 | 103168 | 117566 |
| | % | 100.0 | 32.4 | 24.6 | 24.9 | 8.2 | 6.0 | 1.8 | 2.1 |
| Total change, (%, 1991-2007) | | 32.6 | 39.6 | 27.2 | 29.4 | 21.2 | 51.4 | 22.4 | 47.8 |
| Average change (%, 1991-2001) | | 2.1 | 2.6 | 1.7 | 2.1 | 1.3 | 2.9 | 1.1 | 2.3 |
| Average change (%, 2001-07) | | 1.6 | 1.7 | 1.4 | 1.2 | 1.2 | 3.0 | 1.7 | 3.4 |

Note: For 2002 - 2005, data for the counties of Lisbon and Seia, thus for Portugal as whole, are underestimates based only on information about owners of construction works. Source: INE (2008).

According to the data available in the construction and housing statistics (INE 2008), from 1991 to 2007 the evolution of the housing stock shows a generalised pattern for the country and the administrative (also statistical) subdivisions to which a sigmoid or logistic function can be attributed, although its "slope" parameter[161] is not very steep, unlike what happens with other phenomena of diffusion or of "product life cycle".

Figure 3. Evolution of the number of housing units by NUTS-2 (in millions), 1991-2007



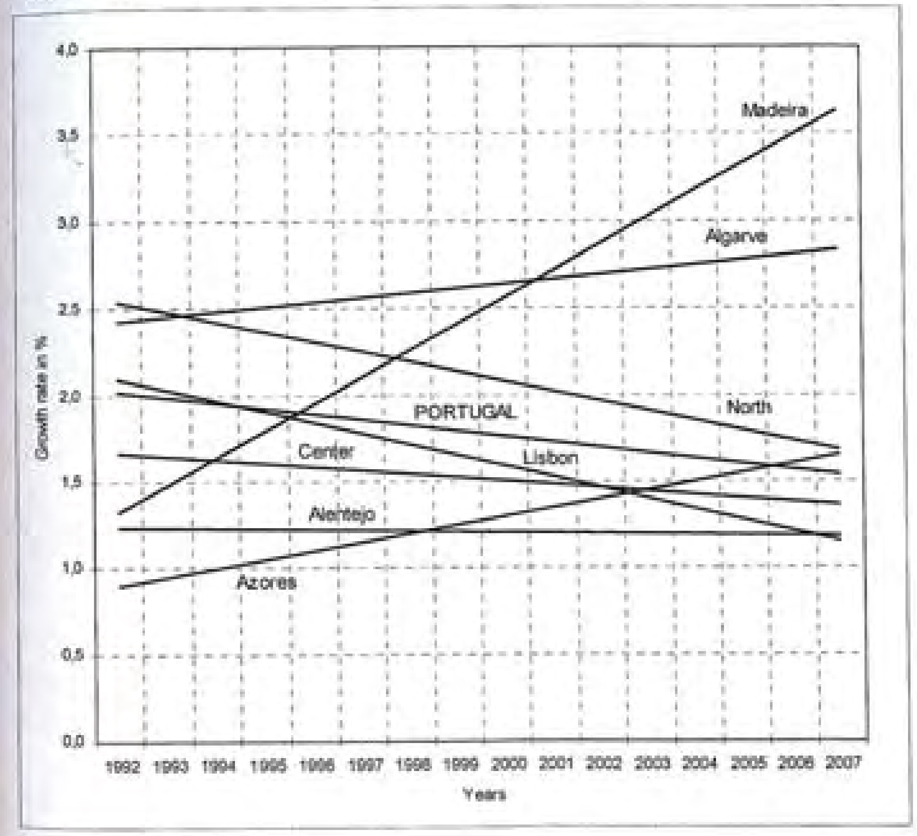

Source: INE (2008).

Housing can be understood as an almost non-perishable product, capable of adapting itself to new market segments regardless of its quality or

[161] In the sigmoid or logistic function with general equation ($P=U/1+e^{a-bt}$), the "slope" corresponds to the growth rate of the variable in question which, in the present case, is the number of built housing units.

ability to incorporate innovations, since the location (in spite of the formation of new urban centralities - social, economic, or cultural) has been crucial for its use and for the perception of its value. Given this pattern, three evolutionary periods in housing construction can be identified: first, corresponding to a slight but steady increase between 199 and, approximately, 1997; second, a period with higher rates of change between 1997 and 2003; and third, a period marked by a slump in the growth rates of new housing construction between 2004 and 2007.

Figure 4. Trends in housing unit growth rates in Portuguese regions, 1991-2007




Source: INE (2008).

However, the absolute figures hide a different reality that is shown b the annual growth rates. In fact, at regional level (NUTS-2), there a notable differences between the Algarve and the autonomous regions the Azores and Madeira, with a positive trend, on one side and, on th other, the remaining regions with negative trends.

The greater vitality of the regions of the Algai . and Madeira, as more attractive in terms of leisure tourism[63], in addition to the still little visited but rapidly catching-up destination of the Azores, could indicate the emergence of new opportunities for building housing typologies (either villas or apartments) for second homes *strictu sensu*, or as residential tourism within integrated tourism developments ("tourist resorts") (Roca et al. 2009). All other regions show signs of saturation and, hence, the slump in growth rates of new housing stock construction which continues to diverge from the actual purchasing capacity of large parts of the population.

The three most dynamic regions, including the Lisbon Region, which was overtaken by Madeira in 2000 as well as between 2002 and 2004, were those with the highest prices of dwellings. However, if we remove the price effect induced by the fact that the islands (Madeira and Azores) bear higher costs of importing materials, the Lisbon region has undoubtedly the highest housing prices.

In order to present a clearer picture, Figure 5 shows only the values of the purchase contracts of urban housing in the horizontal property regime, since this is typical of the majority of dwellings (the inclusion of other urban, rustic or mixed (partly rural and partly urban) properties, would induce an effect of transactions of large real-estates which are usually subject to *a posteriori* land allotments).

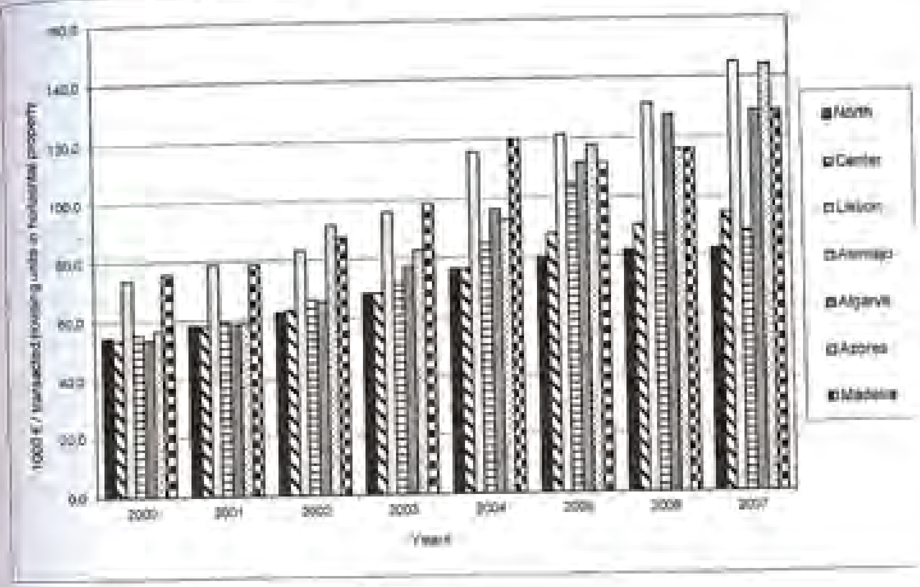
Although the prices have not been deflated, their growth rates, at least until 2005, are substantially higher than the rate of inflation (always under 3%); especially between 2002 and 2005 there was a relatively atypical rise in prices which mainly affected the Algarve and Lisbon. This seems to have been related to increased investment in higher quality housing, given that there has been no increase in bank loans in that period.

This was corollary to the indicator of housing loans per capita, which has not suffered a similar change in the same period; i.e., according to the INE, it was €6192 per capita in 2002 and €7390 per capita in 2005. Over the last two years, 2006 and 2007, the price changes have been much less pronounced (and sometimes negative) in all regions with the

[63] The Lisbon Region receives more tourists, but they share other sets of motivations, especially such as "city short breaks", tourism related to business and "MICE tourism" (meetings, incentives, conferences, exhibitions).

exception of Lisbon, the Azores and Madeira. Since 2000, the Algarve registered the . vest growth from 2006 to 2007. In the North, the maintained rate was 0.4%, which, given inflation, actually corresponds to a fall in prices as an adjustment of the housing market to the shrinking demand.

Figure 5. Evolution of the average price of buildings in horizontal property traded between 2000 and 2007




Source: INE (n.d. - f).

However, this price reduction is hardly significant in relation to the e fort families make to acquire a home in a context when such efforts ar lower than the price of the rents, which, therefore, are not an attractiv alternative. In view of the fact that the average gross annual wage i 2008 was around €19,000 (INE 2008), the purchase of a home in Lisbo which in 2007 came on average to €145,000, could correspond to an i vestment of nearly eight years of work; for example, in Dublin, whe average housing prices are around €220,000, it could be only five and half years (Foley 2004), considering the maximum annual revenue €40,000 for being eligible for a house with public support.

According to INE (2009, table II.7.10), for the period 2004/05[64] t

[64] Last available year of the *Household Budget Survey* conducted by INE.

efforts of maintaining a home (rents or bank loans and other current expenses in water, electricity, gas and other fuels) represented 26.6% of all household expenditures. How to explain this oddly low weight of such a large investment? This has to do with the following two reasons: first, the low value of loan repayments for housing purchased in the context of high rates of inflation (for example, in the mid-80s, when the yearly interest rates of loans were around 18%) and, second, the predominantly low value of rents today, even though urban rents were liberalised back in 1990. In fact, in 2001, according to the housing and population census (table 3.18.1), the monthly rent was below €99.75 for 59% of homes in Portugal, and for 66% of homes in Lisbon and Greater Porto.

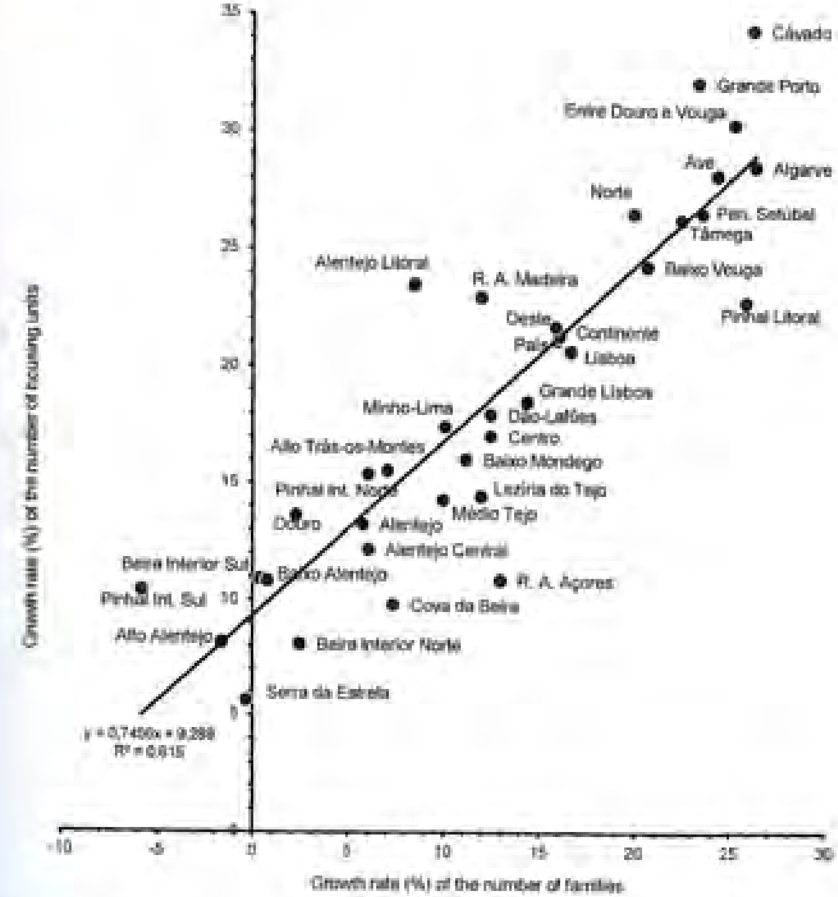
From 1991 to 2001, at the regional and sub-regional levels (NUTS-2 and NUTS-3), the growth rates of the number of housing units were always higher, except for Pinhal Litoral and the Azores, than the growth rates of the number of families. Hence, Figure 6 should be interpreted from the perspective of the average values for each of these variables, highlighting the major deviations from the trend line of change of one variable which depends on another. A very even distribution can be noted[65] in terms of variation in the number of families, including where there is a higher or lower figure for the growth of housing units compared to what one would expect.

Nevertheless, Figure 6 shows that NUTS-2 and NUTS-3, in which the growth of the number of housing units was superior to the growth of the number of families, are those where, at the same time, the housing problems remain unresolved (the sub-regions of Cávado and Greater Porto, as well as the entire Northern Region) or where, in addition to those problems, the phenomenon of tourism industry is very important (the case of the Madeira Region), as well as where the environmental amenities serve as engine for the growing housing construction – most likely destined to be used as second homes (sub-regions of Alentejo Litoral, Pinhal Interior and Pinhal Sul).

[65] In fact, the Pearson correlation between the two variables is 0.903 and it is statistically significant ($R^2$=81.5%).



Figure 6. Relationship between the rate of growth of the number of families ar the number of housing units, 1991-2001

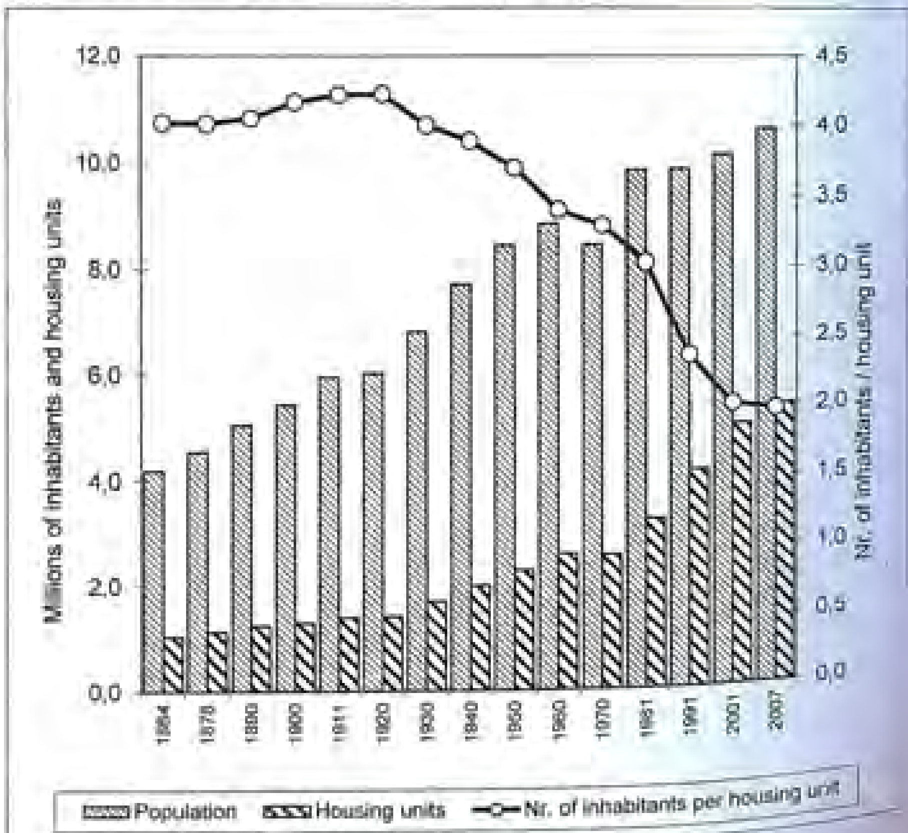



Data source: INE (2002).

Contrary to this feature (growth in the number of families exceeding th growth one would expect for the number of housing units), quite diffe ent cases can be noted, such as those where the economic drive of th 90s (which corresponds to atypically positive demographic vigour in th national context) does not seem to be correlated to the growth of cor struction (Pinhal Litoral), where the employment crisis was stronge (Cova da Beira), or where demographic and economic losses have bee most pronounced (Serra da Estrela, Beira Interior Norte).

The evolution in the number of housing units, the number of inhab tants and number of inhabitants per housing unit in Portugal has known various trends and, in essence, has not been harmonious. The housing problem of matching numbers of homes and families has been extremely complex and diachronic, so that causal relationships that would help understand its evolution in a systematic way cannot be easily established. On the one hand, the housing quality patterns (for example, home size, number of rooms, quality of sanitary equipments), especially those related to cultural issues (which are closely connected to economic ones, though), have changed over time. On the other hand, the Portuguese family has also undergone revolutionary changes, from the widespread of families without nucleus to family defragmentation and/or recomposition.

Figure 7. Evolution of the population, of the number of dwellings and of the density of occupancy of housing units, 1864 – 2007




Data source: INE (n.d. – a, n.d. – b, 2009).



All these changes have been reflected in the housing market in terms of reformatting the main elements of the system. Along with marginalisation (abandonment which, in the case of construction for which there is no demand, results in degradation) of some types of housing (age, number of rooms, service coverage), there is inappropriate supply, based either on expectations about demand (thus perpetuating a spatial organisation that is fragmented and expensive to maintain) largely due to poor adaptation and corresponding inertia, or based on the purchasing capacity of that demand. This only deepens the gap between simplicity and luxury and, therefore, the proper real estate market is at risk of saturation in terms of solvent demand for an asset with a long amortisation period.

The transformation of housing with a very high occupation density (in 1864, there were almost 11 people per housing unit) to homes with an average of 1.9 persons per dwelling in 2007, reflects the alteration of socio-cultural habits and economic power together with changes in family structures (Andre 1994). In fact, the average number of people per housing unit has declined dramatically since 1930, but at a particularly steep rate since 1981 when the absolute variation in the number of housing units also became much greater. But does this mean that the housing needs of families have been met?

The available data do not show it. Despite having remained almost the same at national level between 1991 and 2001 (the variation was 11.2%), the share of the "non-classic" housing units (such as dwellings made of cardboard, plastic or corrugated metal, or rudimentary wooden houses) in the total housing stock in some regions was a serious problem (it grew by 98.1% in the Algarve, 43.2% in Alentejo and 29.3% in the North). Considering only these shanty-town dwellings (the concept of "rudimentary wooden houses" is not sufficiently clear in the Housing Census) as the "non-classic" housing units, Alentejo and the Algarve were the only regions where this phenomenon increased at the extremely alarming rates of 75.6% and 56.5%, respectively.

The overall situation is even more complicated if to this worsening of housing problem (shortage) one adds the reality of poor conditions of the existing housing in Portugal. For example, in 2001 as many as 2.5% of classic dwellings occupied as regular residence (thus not counting shanty-town dwellings and such like, etc.), had no toilet.

Not comprising second homes, dwelling units unsuitable for housing and those shared by more than one family, in 2001 the total number of classic dwellings was 3,591,887. Taking into account the total number of families (3,654,633 in 2001, including "classic" and "institutional" families) there was a deficit of 62,746 housing units. If families living in "non-classic" dwelling units are added, the true deficit in 2001 rose to 90,065 housing units. This shortage could have been counterbalanced with housing counted as "vacant" by the 2001 Census (516,085 units, excluding those expecting demolition). However, given that, at the same time, 568,886 housing units were considered "overcrowded" (lacking one or more rooms in relation to family size), and even if the adjustment with the existing housing were possible, the need for new housing has been substantially greater.

In fact, if merely the number of dwelling units lacking three or more rooms together with the number of units required for the functioning of the market (2% of total number of families, to meet mobility needs, possible extension of the existing housing stock, family fragmentation/recomposition, etc.) are taken into account, then the total volume of housing units needed changes to 204,087, which is still much lower than the number of vacant housing units. Even considering the population growth from 2001 to 2011, largely sustained by a positive migration balance, it is hard to justify and understand the continued construction of new housing. The housing market must enter a new phase in which the focus will have to be placed on the recuperation of the existing housing stock.

However, the state should also ensure that the poor housing conditions in very old buildings, especially in historic centres of small towns and cities, will not be perpetuated by a recuperation process strangulated by local regulations. Flexible solutions combining preservation (of built heritage and urban landscapes) with modernity (home space and equipment that correspond to the contemporary lifestyles) should be sought.

## Solving the housing problem in Portugal

To understand adequately the problem of the neglect and decay of the housing stock in Portugal, it is necessary to understand the system of taxation on property in this country. Apart from collecting taxes and fees for the registered transaction of a building, rural or urban, the cen-



tral government's taxation service annually collects the so-called Prop erty Tax (IMI) which is then forwarded directly to the respective mu nicipalities (counties).

The tax rate varies by municipality, the highest being charged in th county of Oeiras (in the Lisbon Metropolitan Area) and lowest in Cha musca (in the Alentejo region). As a rule, the value of the tax on rura property is higher than on urban property. Generally, whatever th value of the tax, it is based on real-estate figures that are far below thei market value, despite efforts by the state to update these figures in citie such as Lisbon in order to replace very old assessments, i.e., when 1 Por tuguese *escudo* (about €0.005) could be worth the equivalent of €10 to day, even taking into account the effects of inflation, especially in th period from 1974 to 1990 (over 20% annually, on average).

The freedom to choose the tax by the local authority has no corre spondence in the perception of ordinary people about what that effor represents in terms of contribution to that very same authority, as the receive a letter from the central services of treasury for payment. In many counties the annual tax rates (always calculated on the basis o the transacted net asset value) for rural land are 0.08% and for urbar property 0.07%. This difference, clearly unreasonable, exists only due to the fact that there are many rural properties from which the state can not "make any money", especially because it fails to update the cadastra records (or does not succeed in doing so, for lack of effectiveness/efficiency in the management of its own resources) (Bordalo 2010) while, at the same time, the new urban property is encouraged despite increasing public costs associated with its growth.[166]

Real estate property values, which are now calculated on the basis of criteria such as location, age and state of conservation of buildings, have been maintained more than 30% below market value, with no concrete measures to approximate these values.[167] Updating property values,

[166] In this regard it is interesting to note what has happened in Spain, where the boom in housing (often second homes) only led to an increase in per capita municipal expenditure. For example, in the case of Torrevieja (Valencia Region), the municipal expenditure rose from €315 in 2005 to over €1,000 per inhabitant in 2009 (Aledo 2009).

[167] In fact, comparing the values of properties that are declared, or assumed by the fiscal authority (cf. http://www.e-financas.gov.pt/SIGIMI/calculos.jsp) and the values of seizures due to tax debts listed on the official Internet site

which was initiated in 2003, established an approximation ceiling that would be updated gradually, and in 2004 it corresponded to an increase of the IMI by €60.[48] However, it is necessary to take into account the fact that the updating of property values only occurs when some kind of change in the calculation/criteria matrix takes place, that is, when, for example, there is a sale or a lease of a house. This is an insufficient mechanism to control the quality of the housing stock, or of the functioning of the market.

Local government in Portugal has been consolidated quite recently (over the last three decades) and, without genetic support structures (despite the assistance provided by the SAAL programme and by Technical Support Offices anchored in the former central state's Planning Committees later replaced by the Committees for Coordination and Regional Development), it had to benefit from the central state structures for tax collection, as well from the financial resources redistributed by that same structure (e.g. the Financial Balance Fund).

The cadastral survey of the country is a difficult task. The division of private property, especially in the context of very small holdings (under one hectare) by succession and inheritance makes such survey a very costly task, both time-wise and financially. In fact, the low market value of small and isolated rural properties, often in the mountains, or difficult to access, inhibit owners and heirs from regularising or legalising them. Since the costs involved may outweigh the real value of buildings. Thus the *circulus viciosus* of inefficiency in the management of public affairs is reinforced.

When the state accepts a property assessment below its market value it is essential to consider whether property is actually overvalued in the market. This, in turn, implies that the state regulates the market in a way that reduces the value of private property. In a context of the efficient functioning of the state administration, both in terms of monitoring the market and its own activities (updating property values in relation to costs of acquisition of public goods and services related to the existence of properties and effects generated by their use), one can recognise a factor of inertia associated with the gap between use value and exchange value which prevents possible injustice when market forces operate in reverse mode (depreciation of property values).

(http://www.e-financas.gov.pt/vendas), but taking into account the prevailing market prices, it can be easily deduced that there is a gap between each of them.

[48] This maximum limit has been updated every successive year by another €15, so that in 2010 the maximum increased value of the IMI was €150.



The all but courageous attitude of successive governments towards a comprehensive updating of property values (especially in cities such as Lisbon and Porto) can be defended from the point of view of, firstly, conditions of response by most owners, and, secondly, potential subsequent action by new speculators. To update the property values of buildings from the beginning of the 20$^{th}$ century to the market price of the 21st century would require that those values be multiplied at least by 100, while, for example, for the 1980s, the value of transactions on such buildings could be multiplied by ten. This whole multiplier factor would have direct positive effects on public accounts and would, at the same time, force the owners to reconsider the reasons for (and benefits of) keeping thousands of homes off the market, in particular off the rental market.

In fact, probably a major reason for the incongruity of the housing property market in Portugal, particularly in the rental segment, has to do with the wide acceptance of a popular belief according to which "an empty house does not eat bread". This in turn means that such houses are left to "slow abandonment", which has direct costs for municipal management (an infrastructure's maintenance costs exist despite its non-use), for urban functionality (depopulation of the historic centres and imbricate decay of their traditional economic activities, such as commerce), and/or for the urban landscapes (as a result of all the forces that shaped the vitality of place).

But would the majority of owners be able to respond to new fiscal obligations? Would they become victims of rapid and attractive offers by agents presenting solutions to "troubled businesses", especially those trapped by the "greedy hand" of a revenue-seeking administration?

Bearing in mind the capitalist nature of the economy in which we live (at least so far), it can only be concluded that it is essential to proceed with the continuous updating (annually revised) of the housing property value. The values may be held at 30% below those of the real-estate market (as has been the practice by the fiscal administration), but further increase of the IMI for vacant housing units should be imposed, along with a bonus for those that are inhabited with a duly registered lease contract (date and amount respecting defined criteria in order to prevent frauds).

Despite substantial advances made in such diverse areas as access to and diversification of higher education, democratisation of information and communication technologies, availability of community infrastructure, and upgrading civic awareness and action, there are still spheres of life in which Portugal continues to lag behind the standards achieved in most European countries. One such area is housing, which has suffered from a functional disconnection in terms of market inefficacy which today still does not allow large segments of the population to have access to a decent home. In such a situation, and excluding slums as an option, the search for adequate solutions in the informal housing market has persisted and became a culturally and socially important know-how of the Portuguese, both before and after the so-called Carnation Revolution of 1974. Moreover, this specific know-how nowadays mobilises an economically more solvent segment of the population to satisfy not only the primary housing need, but also to increasingly invest in second homes (Salgueiro 2001).

The cultural and social skill of operating illegally without fearing state repression represents a specific capital of knowledge that actually reflects the weaknesses of the Portuguese state. Though public policy interventions promoting social housing have been significant only after 1974, the passivity and tacit complacency of the supervisory authorities actually facilitated the flourishing of large illegal urban settlements, part of which are still in the process of legalisation today. In fact, it can be said that one of the relevant aspects of cultural knowledge in Portugal, at least as far as the issues of housing needs and residential property are concerned, has been the ability to downplay the legal rules as a means of offsetting the inefficiency of the state's (ir)responsibility in this sphere of life.

## References

Afonso, F., Sequeira, A., Morais, J. and Hill, I.. (1998). *O sector da construção - diagnóstico e eixos de intervenção*. Lisboa: IAPMEI (Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento), Observatório das PME.

Aledo, A. (2009). 'Turismo residencial em Espanha: experiências e desafios', *Conferência Internacional "Segundas Residências e Desenvolvimento Local*, Óbidos, http://tercud.ulusofona.pt/publicacoes/2009/Present_Aledo.pdf (accessed May 2010).

André, I. (1994). *O falso neutro em geografia humana: género e relaçã[o] patriarcal no emprego e no trabalho doméstico*. Doctoral dissertation Lisboa: Universidade de Lisboa.

Araújo, L. (2008). *O imobiliário, a qualidade urbanística e o sector financeiro*. Master's dissertation. Lisboa: ULHT.

Baganha, M. and Malheiros, J. M. (eds.) (1998). *Os movimentos migratórios externos e a sua incidência no mercado de trabalho em Portugal* Lisboa: GEOIDEIA/IEFP, unpublished.

Baganha, M., Marques, J.C. and Góis, P. (2002). 'O Sector da Construçã[o] Civil e Obras Públicas em Portugal: 1990-2000'. Coimbra: Oficina d[o] CES, http://www.ces.uc.pt/publicacoes/oficina/173/173.pdf (accesse[d] August 2010).

Bordalo, A. (2010). *Cadastro predial em Urbanismo: que modelo?* Doctoral dissertation. Lisboa: ULHT.

Brito, R. (1976). 'Lisboa: esboço geográfico', *Boletim Cultural da Assembleia Distrital de Lisboa*, 82, pp. 1-206.

Ferreira, A. (1987). *Por uma nova política de habitação*. Porto: Afrontamento.

Ferreira, A. (1994). 'Habitação social: lições e prevenções para o PER' *Sociedade e Território*, 20, pp. 8-10.

Ferreira, A., Guerra, I. P., Matias, N., Stussi, R. (1985). *Perfil Social [e] Estratégias do "Clandestino": estudo sociológico da habitação clandestina na Área Metropolitana de Lisboa*. Lisboa: Centro de Estudos d[e] Sociologia do ISCTE.

Foley, P. (2004). 'Are Irish House Prices Determined By Fundamentals?' University College Cork, Department of Economics, *Working Papers* 04-01, http://www.ucc.ie/en/economics/research/workingpaperserie[s]/downloads/DocumentFile,21944,en.pdf (accessed August 2010).

Guerra, I. (1997). 'Um olhar sociológico sobre o alojamento', *Sociologia - Problemas e Práticas*, 24, pp. 165-181.

INE – Instituto Nacional de Estatística (2002). *Censos 2001. XIV Recenseamento geral da População. IV Recenseamento Geral da Habitação Recenseamentos Gerais da População e da Habitação: Dados Comparativos 1991-2001*. Lisboa: INE. CD-ROM.

INE (2008). *Estatísticas da Construção e da Habitação 2007*. Lisboa: INE

INE (2009). *Anuário Estatístico de Portugal 2008*. Lisboa: INE.

INE (n.d. – a). *Population Census (from 1864 to 2001)*, http://www.ine.pt xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESpagenumber=29&PUBLICACOESrevista=00&PUBLICACOEStema=00&

PUBLICACOESfreeText=censo (accessed December 2010).
INE (n.d. - b). *Housing Census (from 1970 to 2001)*, http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESpagenumber=29&PUBLICACOESrevista=00&PUBLICACOEStema=00&PUBLICACOESfreeText=censo (accessed December 2010).
INE (n.d. - c). *Inquérito Anual às Empresas de Construção*, http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0002143&contexto=bd&selTab=tab2 (accessed December 2010).
INE (n.d. - d). *Sistema de Contas Integradas das Empresas*, http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0004067&contexto=bd&selTab=tab2 (accessed December 2010).
INE (n.d. - e). *Direcção-Geral da Política de Justiça*, http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0001076&contexto=bd&selTab=tab2 (accessed December 2010).
INE (n.d. - f), *Direcção-Geral da Política de Justiça*, http://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0001075&contexto=bd&selTab=tab2 (accessed December 2010).
Lopes, E. (2007). *Estimação de Sistemas Integrados de Matrizes de* Input-Output *para Portugal, para 1996,1997 e 1998, a preços de 1999*. Lisboa: Departamento de Prospectiva e Planeamento e Relações Internacionais, Documentos de Trabalho, 6.
Matos, F. (1990). 'A construção clandestina em Vila Nova de Gaia: O caso dos bairros do Picão e da Madalena Nascente', *Revista da Faculdade de Letras – Geografia*, 1(4), pp. 149-280.
Moutinho, M. (1997). *A Arquitectura Popular Portuguesa*. Lisboa: Estampa.
Oliveira, J.A. (1988). *O transporte colectivo rodoviário de passageiros em Portugal: contributos para um estudo geográfico*. Lisboa: Centro de Estudos Geográficos.
Oliveira, J.A. (1995). 'Telecomunicações nas regiões de fronteira', in C. Cavaco (ed.), *As Regiões de Fronteira, Inovação e Desenvolvimento na Perspectiva do mercado Único Europeu*. Lisboa: CEG, pp. 207-246.
Patrício, M. (1985). *A Habitação em Portugal: actuação dos agentes a distintos níveis espaciais*. Master's dissertation. Lisboa: FLL-UL.
Roca, M.N., Oliveira, J.A. and Roca, Z. (2009). 'Seconda casa e turismo della seconda casa in Portogallo', in T. Romita (ed.), *Il turismo residenziale: nuovi stili di vita e di residenzialità, governance del territorio e sviluppo sostenible del turismo in Europa*. Milano: Franco Angeli, pp. 111-130.
Salgueiro, T.B. (1972). *Bairros Clandestinos na Periferia de Lisboa*. Lisboa: CEG.



Salgueiro, T.B. (1983). 'Mercado de Habitação e estrutura Urbana na Área Suburbana de Lisboa', *Boletim Cultural da Assembleia distrital de Lisboa*, 2(89), pp. 1-373.
Salgueiro, T.B. (2001). *Lisboa, Periferia e Centralidades*. Oeiras: Celta.