

## Γεωγραφίες

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### Housing bubble, crisis and social struggle in Spain

*Marc Mart*

# HOUSING BUBBLE, CRISIS AND SOCIAL STRUGGLE IN SPAIN

Marc Mart<sup>1</sup>

The current crisis in Spain is clearly related with the production of housing and the urbanization of the country which occurred from 1998 to 2008 in an intensive way. Nevertheless, the origins of this model of growth, highly dependent on the construction and the tourism sector, can be found a long time before. The antecedents of the last Spanish economic boom can be divided into three periods: a period of Fordist crisis (1970-1986), a period of growth (1986 to 1992) and the first real estate property crisis (1992-1994).

## *The Spanish way of growth*

The integration of Spain in the European Economic Community in 1986 contributed decisively to the overcoming of the Spanish Fordist crisis. On one hand, the European Structural and Cohesion Funds permitted the expansion of infrastructures (like highways) and opened up vast quantities of land for development. On the other hand, it fuelled the closure of the less competitive manufacturers and changed the most competitive ones from national to international companies. Only the big companies of two economic sectors, which relied on the state, became stronger and remained in the hands of national elites: Banks and Building Companies.

At the same time, new rules in the field of housing and land use were approved to liberalize the housing market (against renting) and the land market (Decreto Boyer 1985; Ley del Suelo 1998). The conversion of Spanish families to a “society of owners” (Rodriguez and Lopez, 2010), is the key process to understanding the subsequent bubble. It enabled Spanish families to make money through the housing market and gain access to private debt for personal consumption. Housing was a basic necessity to cover, but it was also a way of saving money, a way of investing money and a way of borrow-

ing money. The alternative, the rental housing market, was scarce and expensive. In 2001, 85% of Spaniards lived in an owned house, the highest rate in Europe.

In this context, a period of intensive growth of the housing prices began. It was fuelled by:

a) The boost of land prices as a consequence of the liberalization promoted by the new Land Law that established that all the empty land was susceptible of being urbanized.

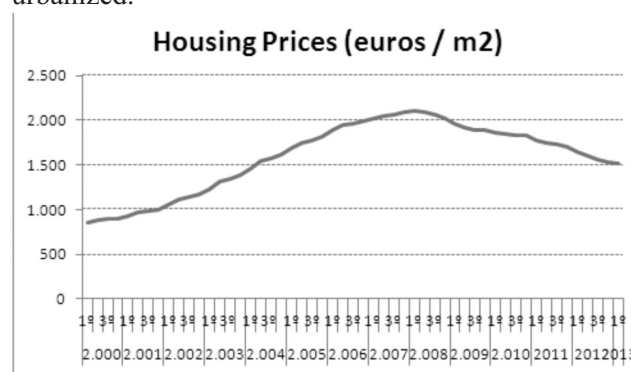


Figure 4.1. Increase in housing prices (2000- 2013). Source: Ministry of Public Works.

b) The increase in potential demand for housing (new and previously owned from: i) The “baby boomer generation” who were in the age of emancipation from the parental home; ii) Immigrants attracted by the cheap housing market, and iii) wealthy Spaniards and foreigners looking for holiday homes.

d) The public policies gave absolute priority to owning over renting. Firstly, giving important tax reductions for the people who bought a house. Secondly, almost all the new public housing was for sale and the old rental social housing was progressively sold to their renters.

c) The facilities for financing mortgages by the banks. At the end of the 90s Spanish Banks obtained cheap money from European Central Bank and other European banks, predominantly from French and German banks. Regional Saving Banks concentrated the most part of their

<sup>1</sup> Researcher at Institut de Govern i Polítiques Públiques at Universitat Autònoma de Barcelona, Marc.Marti@uab.cat

investments in the real estate sector, not only lending the money to the promoters, builders and buyers but even becoming promoters themselves. But when these loans stopped coming (because of the housing overproduction, the housing crisis in the United States and the growing mistrust in the Spanish banking system), the bubble burst.

### *Housing policies in crisis*

The main social consequence of the crisis was the rise of unemployment; firstly in the construction sector, then to all economic sectors. Currently, the average rate of unemployment is 27,2% the highest rate of the UE and the percentage of households with all of its members unemployed is 11%. At the same time, the average salary has gone down and inequalities have grown. Without a regular income many people have started to have problems paying their mortgages. Quickly, people have discovered the severity of our “Mortgage Law” (the debt is not cancelled with the loss of the house) and the abusive clauses in mortgage contracts.<sup>2</sup> Nevertheless, the percentage of mortgages with delay is still relatively low (although growing): 4% in the first trimester of 2013.<sup>3</sup> Only family support and the dangers of the default can explain this.

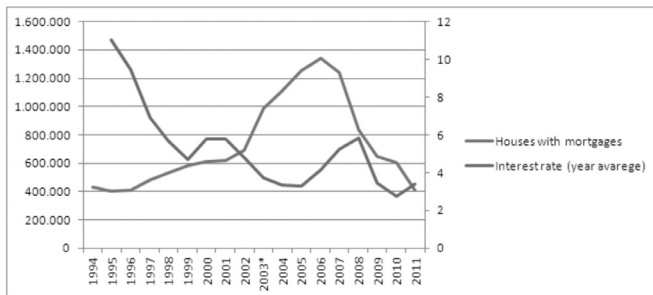


Figure 4.2. Evolution of housing mortgages and evolution of interest rates (1994 - 2011). Source: INE.

\* In 2003 there is a change of methodology in the data series of houses with mortgages.

In the area of housing policies, the central government has been quite inactive until recent times in spite of the difficulties guaranteeing the right of housing.<sup>4</sup> The construction of new social housing has now stopped due to cuts and the change of policy direction. There are problems finding owners for housing already built because of the reduction in prices in the free market and the difficulties obtaining and paying mortgages. The new



Figure 4.3. Evolution of unemployment (2001 - 2013). Source: EPA

Housing Plan (2013-2013) tries to promote renting instead owning and a new Law of Rent (Law 4/2013, of 4th of June) has been approved giving more privileges to owners who rent their houses. At the same time, this law looks to increase international investment by improving the benefits of the Spanish REITS. Related to this, SAREB (a public-private company for the Management of Assets proceeding from Restructuring of the Banking System) was created. The main objective of SAREB is to clean “real-state toxic assets” from the banks in trouble and make a profit with them selling packages of assets in the international financial market over the next 15 years.

### *La PAH: from the Spanish bubble to the right to housing*

Fortunately, there have been more reactions to the current housing emergency situation. The social movement so called La PAH (Mortgages Affected people Platform) was born in 2009 in Barcelona. The antecedents of the movement were the mobilization of young people protesting against the difficulties of leaving their parent’s home (so called V de Vivienda movement) from 2005 to 2007. After the eruption of 15M movement PAH was reinforced, new groups were created<sup>5</sup> and fresh activists joined up. Currently, the PAH movement has spread to more than 70 cities in the country and has successfully resisted over 725 evictions.<sup>6</sup> Four ways of action are highlighted:

a. In order to confront evictions, the first thing that PAH’s activists did was create and consolidate a *space of trust*, a meeting point where those in danger of eviction could experience the fact that (i) their problem was not

individual but collective and that the causes of their situation were structural, (ii) that they shouldn't feel guilty or ashamed, and (iii) that collective action can transform reality and make possible what seems impossible. PAH campaigners organize weekly meetings in their cities and advice and guidance are provided on issues, such as how to deal with a foreclosure. At the same time, networks of solidarity and support among mortgage holders have been created in order to negotiate together with the banks (for some people such negotiations are very stressful and difficult) and organize action.

b. The first important campaign was the Stop Eviction campaign (still running): before an eviction occurs activists try to use institutional mechanisms to delay the eviction, for example by liaising with social services, the court and so on. A delay can also be achieved by putting pressure on the bank in question (for example organizing protests outside the bank, informing the public and customers about its abusive practices, putting up posters and stickers, temporarily occupying their offices, etc). Media pressure has been quite effective because banks are concerned about negative publicity. If none of these things are successful supporters resist the evictions by making a public call to turn up on the day to block the legal authority and police.

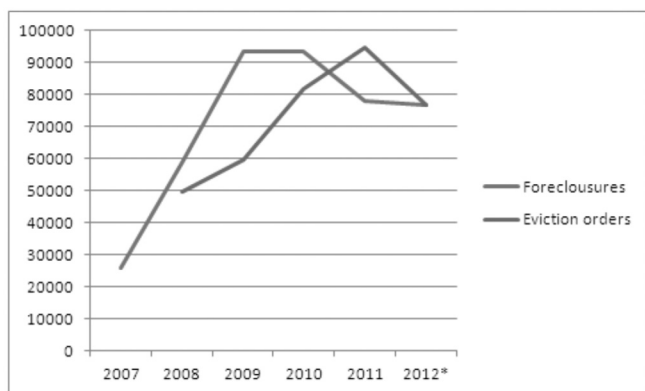


Figure 4.4. Figure 4. Evolution of foreclosure and evictions (2008 - 2012). Source: Colau and Alemany, 2012. Data from Consejo General del Poder Judicial. The authors used a “correction factor” to estimate the real evolution of eviction orders based on the latest data available. The data includes foreclosures and evictions. \*The year 2012 only includes the first three trimesters.

c. In conjunction with other organizations, PAH promoted a *People's Legislative Initiative* which allows for legislation to be proposed by popular petition. The proposal included the three main demands of the PAH with regards to the right of housing:

Retroactive dation in payment, which refers to a situation in which outstanding mortgage debt is cancelled upon handover of the property.

Moratorium on evictions: no family evictions from a house because of economic reasons.

Social renting: transform the homes in hands of financial institutions or the government (such as SAREB housing stock) into social housing.

1.4 million signatures were collected (only 500.000 were needed). After a harsh campaign to “seduce” all the members of the parliament to vote in favor, the government approved a new rule (Law 1/2013, of 14th of May) incorporating some ideas from the original demand but in a more restricted way: a moratorium of evictions for two years for specific “vulnerable” groups; a promotion of the dation in payment as a “good practice”<sup>7</sup> by the banks, limits to the delay of interest, etc. Some months before the creation of a limited stock of renting social housing was announced.

d. Last but not least, Obra Social campaign: it emerged from the immediate need of the PAH activists and others who find themselves homeless and faced with outstanding mortgage debt. After the partial failure of the People's Legislative Initiative the occupation of empty houses held by the banks or the government to accommodate families has intensified. Once inside the building, activists start negotiations with the bank and the city council (which is called in as a mediator) to allow families to stay on the basis of a social rent. Currently 625 persons are living in a houses re-appropriated by the movement.

### Conclusions

It is clear that the current crisis in Spain is a consequence of a model of growth based on urban development, the concept of housing as a good investment (not as a right) and the process of financialization of the economy on a European and international scale. The boom in available housing has not improved access to it. Young people still have difficulties to leaving the parental home and many house owners have got into a disproportionate amount of debt. The housing cost overburden rate<sup>8</sup> went from 14.8% in 2004 to 25.5% in 2008 and then 44.4% in 2011. The availability of cheap credit made the dream of owning a house possible in a country where the right to hous-

ing was synonymous with the right to own. Housing policies have reinforced this situation with the marginalization of the rental market until recent times. Currently, mortgages are a very heavy load for a growing number of people and a nightmare for those who have lost their home due to unemployment and low salaries. Despite the lack of action of public institutions, people affected by the mortgage crises have organized themselves for the purpose of solving individual situations, empowering families to face their banks, changing abusive regulation and improving housing policies by enlarging the housing stock for social renting. Many house owners have reduced their debt with banks and have found alternative places to live with the PAH support. Although some legal victories have been achieved by the movement, the interests of the banks still prevail.<sup>9</sup>

### Notes

2. In March 2013 the Luxembourg UE Court ruled that some sections of the Mortgage Spanish Law were not compatible with the European Law on consumer's rights. That opened the door to the revision in courts of many mortgages with clauses considered abusive.

3. Data from Spanish Central Bank.

4. In the meantime, charity organizations such Caritas and local administrations have been dealing with a growing number of people without housing.

5. New nodes of La PAH were organized but also new local groups dealing with housing problems related with 15M were created

in some neighborhoods of Madrid and Barcelona. They were more or less coordinated with La PAH.

6. Data from the movement ([www.afectadosporlahipoteca.com](http://www.afectadosporlahipoteca.com), accessed 15/07/2013). "Resisted" doesn't mean stopped forever, it means, in the most cases, postponed. This extra-time is important for negotiate and pressure the bank to find a reasonable solution.

7. A similar rule was already approved in 2012 by the government (Real Decreto-ley 6/2012, 9th March) with very limited effects (see, for instance: [http://politica.elpais.com/politica/2013/04/27/actualidad/1367089628\\_784294.html](http://politica.elpais.com/politica/2013/04/27/actualidad/1367089628_784294.html) accessed: 15/07/2013).

8. Source: EUROSTAT, SILC.

9. SAREB will be the biggest real estate agency in the country but its housing stock, that was obtained through the bank restructuring programme, is about to be sold in the international financial markets instead of being used to cover the housing needs of the population.

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