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Housing crisis in Portugal

Rita Silva

HOUSING CRISIS IN PORTUGAL

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Over the last few decades, Portugal has not developed a sustainable, coherent and constant housing policy. Despite its constitutional recognition, in practice housing is not regarded as a fundamental human right, but it is treated as a merchandise and a way of investment. During last twenty years, we have witnessed an explosive growth of the real estate speculation. Specifically, since the 90s, housing costs and household indebtedness increased parallel to the increase of the available credit, as it is depicted at the diagrams below.

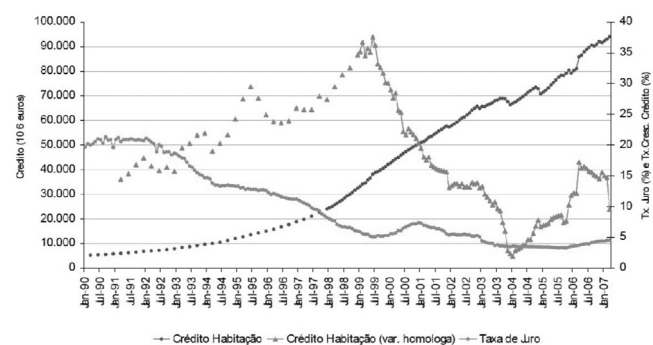


Figure 5.1. Evolution of housing credit (Bingre do Amaral 2011)

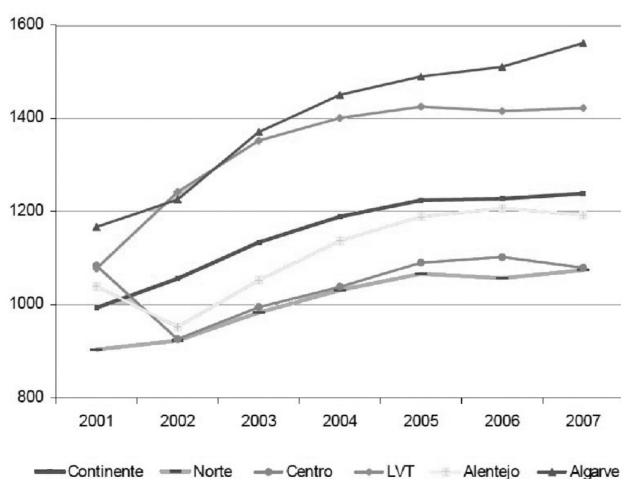


Figure 5.2. Bank valuation of housing prices (€/m²) (Contributos para o plano estratégico de habitação 2008)

In 2010, almost 40% of households were indebted, while around 25% of them had mortgages on their primary residence. For all indebted households, the median value of the ratio of debt service and monthly cash income is 16%. The percentage of households with this ratio higher than 40%, generally considered in critical situation, is about 13%. This ratio is decreasing according to the level of income, being especially high for lower income indebted households, for which the value is clearly exceeding 40%.

Availability of credit and overindebtedness contributed to an excessive increase of construction activity, as well as the progressive abandonment and degradation of historical city centres. Today, there are almost 735.000 empty houses in Portugal (35% more than ten years ago), according to the final results of the 2011 Census, released by the National Institute of Statistics (INE) (EXPRESSO 24.11.2012). This promoted the preoccupying loss of the vitality of cities and the rise of the real estate bubble. These processes lead to the unorganized suburban growth, which contributed in a decisive way to the deterioration of the quality of life, the reduction of access to infrastructure and services, and the restriction of mobility for many social groups.

The persistent lack of an integrated policy that would defend the right to housing made it, as well as the rest of the urbanization processes, hostage of speculative interests related to the real estate and construction sectors. This led to a rapid growth of the construction sector and the deliberate promotion of home-ownership through lending, at the detriment of rehabilitation and rented housing. Today 76% of Portuguese are homeowners (IHRU 2009), while a great percentage of them are indebted to banks (34% of owners have an outstanding mortgage loan [EUROSTAT 2013] and 68% of the total private Portuguese debt was a result of real estate loans to families and enterprises). Families have many difficulties in repaying the loans (often lasting 40 and 50

¹ Activist, member of Habita – Collective for housing and city rights, Lisbon, email: daritasilva@gmail.com.

years) and thus have limited potentials to build autonomous and independent life projects.

Rental housing (18% of the total housing market [IHRU 2009]) is limited, expensive, selective and is not seen as an alternative to ownership, since it does not seem financially worthy and since ownership is related to upward social mobility and is considered as an indicator of family welfare and personal achievement. Most importantly, public housing represents only the 6% of the total housing stock (IHRU 2009: 48).

As the current recession, strongly rooted in speculation processes, is exacerbated, the right to housing becomes even more susceptible. Due to increase of unemployment (17,7% according to INE) and substantial income decreases (about 35%) a growing number of households fail to comply with the contracts with the banks. According to data from the Bank of Portugal (BDP), defaulted housing loans registered a record high in April 2013, reaching 2286 million euro. As an answer to this situation, the government has chosen one option: to protect the banks, eternalizing the spiral of debt without ensuring any dignified alternative to people who lose their houses. Portuguese law foresees that the execution of mortgage and seizure does not imply the cancellation of the remaining debt.

The new rental law (January 2013) – that was agreed with troika (IMF, ECB, EU) and provided in the memorandum – deregulated the entire market, facilitated evictions of people unable to pay the rent and enabled the cancelation of old contracts and the increase of rents, something which mostly affects pensioners. This change of the rental law is in line with the neoliberal perspective: the market regulates everything. However, the housing market is a false market because: those who have houses may retain them and impose high prices, while, for consumers, there is no alternative, so the market does not work. Otherwise, the existence of almost one million empty houses, would have already lead to a drop of prices. On the contrary, in the metropolitan area of Lisbon renting a flat in most cases costs more than the minimum wage (485 euro/month).

On the other hand, the available social housing is totally insufficient to answer the growing housing needs. The number of applications for housing has increased in every city (in Porto by 35%, in Setúbal there have been 2.5 times more applications in August 2012 than in the entire 2011, and in Sintra 3500 families have already ap-

plied for the allocation of municipal housing (SIC-NOTÍCIAS 29.10.2012), however local administrations have no capacity to answer those needs.

Finally, the systematic demolition of self-constructed houses continues in peripheral neighbourhoods affecting thousands of families without having secured the resettlement of all the people who live there, many of them for more than 10 to 20 years. Migrant and Roma communities, but also the poor and unemployed, are those who are mostly affected by demolitions and those who face more difficulties to have access to the free market and to pay their rents.

In this context, there are some groups which are being organised and trying to create a mass movement for the defence of housing and city rights. Some crucial demands are:

- To stop all eviction processes, that happen without a guarantee of dignified alternatives or sufficient means of livelihood. Each case should be carefully examined and granted with all necessary support in order to stay put in case of insolvency.

- To attribute all necessary mechanisms and public investment in order to promote programmes supporting access to housing and urban rehabilitation.

- To enforce the reinsertion of vacant houses in the market, effectively penalising the abandonment of buildings on speculative purposes.

- To create a plan for the rehabilitation of housing stock, prioritising the availability of previously abandoned houses on affordable prices back in the market, over the construction of new houses.

- To review the new rental law in order to safeguard the right of tenants to housing.

- To give the local authorities and central State effective means to combat land speculation and urban corruption, by simplifying and making more transparent the legislation in the field of planning and urban design, as well as making the cities less dependent on granting urbanisation and construction permits in order to finance themselves (which in the medium and the long terms implies reviewing the law on local finances).

- In cases of families that cannot afford to pay their mortgage loans due to unemployment or due to a considerable reduction of their available income, handing over the house should mean the end of any engagement with the bank. At the same time these families should be stim-

ulated to become tenants in the same houses, with a rent adequate to their income.

- To promote the creation of a Basic Law on Housing able to regulate and materialize the principles implied in the constitutional right to housing.

In conclusion, the field of housing is one of the spheres of public social policy which suffers from a profound disregard for human dignity. At the same time, individuals are blamed for not being able to access housing or bear its costs. The problem is, nevertheless, not individual but social and political.

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