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**Book Part**

## The Portuguese report

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## **The Portuguese Report**

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Pedro Moura Ferreira

## THE PORTUGUESE REPORT



*Braga / Photo Braga Municipality*

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## Abstract

This chapter examines how Portugal’s housing policy has evolved over recent decades and how this trajectory has shaped the current housing crisis. It explores how core policy concepts – such as social and affordable housing – have been defined and implemented, revealing the logic and limits of the Portuguese housing regime in delivering safe, non-profit housing. By tracing shifts between state intervention and market liberalisation, it shows how policy has remained fragmented and reactive, resulting in a residual, underfunded public sector concentrated in metropolitan areas. Using national data and a case study of Braga, the chapter illustrates persistent structural problems, with a small, ageing social housing stock and mounting affordability pressures. It situates Portugal’s experience within wider European trends of financialisation, territorial inequality, and the erosion of housing as a social right.

## Keywords

Housing policy – social and affordable housing – sociospatial inequality – affordability crisis – Portugal

## 1 Characterisation of “social housing” in Portugal

### 1.1 What are the goals of social housing?

In Portugal, the universal right to housing is enshrined in Article 65 of the 1976 Constitution. The primary goal of social housing, as defined by Law 81/2014 (December 19) and updated by Law 32/2016 (August 24), is to provide decent housing at a rent level determined by administrative criteria rather than market rates. The regime of “supported rent” (*renda apoiada*) regulates the administration of state-owned housing stock, which includes properties owned by central and local government as well as public companies.

The concept of social rent was first introduced into Portuguese legislation in 1977 (Law 50/77, August 11). At that time, the calculation of social rent was based on the relationship between housing costs and household income, with rent set to fall between 10% and 25% of income. The law also differentiated between “social rent” and “technical rent”. The latter was defined as the rent necessary to recover the total cost of construction over a 50-year period, at an annual interest rate of 7.5%. Under this system, families whose income exceeded three times the national minimum wage were required to pay the technical rent, while families with lower incomes paid the social rent.

In 1993, the regime of supported rent was introduced (Decree-Law 166/1993, May 7). The shift from “social rent” to “supported rent” was more semantic than substantive, as rents in the social housing sector have continued to be calculated based on household income.

The allocation of social housing is based on a classification system that uses a points-based assessment to determine the priority level of applicants. Although specific criteria are established at the municipal level, they generally converge to prioritise families with limited means or those in challenging social or housing situations. For further details, please see sections 1.3 and 1.4.

### 1.2 What is the proportion of social housing in relation to the total housing stock? What does this measure include?

The lack of a consistent policy trajectory, stable financial resources, and, more often than not, the political willingness to invest in social housing – both at the central and local government levels – has resulted in the limited development of the Portuguese social housing sector. Today, Portugal counts some 123,000 publicly-owned housing units (not all of them social housing), representing 3% of the total housing stock (Census 2021, INE).

This figure has fluctuated slightly over time, reflecting the ups and downs of policymaking. The post-revolutionary period of the late 1970s and the mid-1990s decade stand out as relative peaks in social housing construction. These increases

were primarily driven by efforts to address severe housing crises that had accumulated over the preceding decades. However, these peaks were interspersed with long periods of limited growth or alienation of state-owned housing stock (figure 1 and 2; see also Vilaça & Ferreira, 2018).

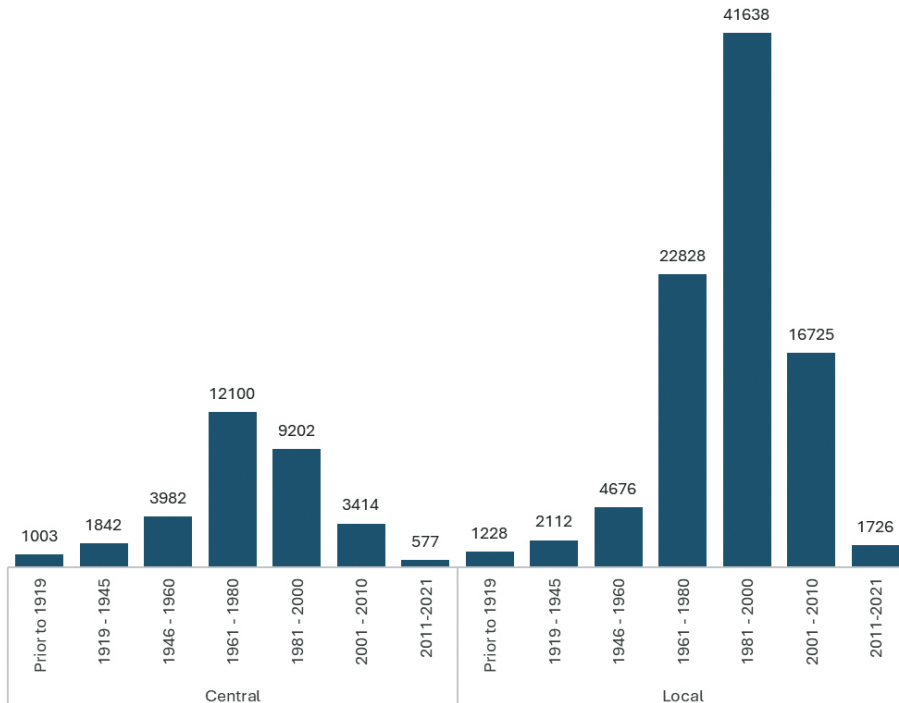


Figure 1: Dwellings used as main residence by year of construction and ownership (n.º), Portugal, 1960-2021 / Source: Census 2021, INE

The uneven distribution of social housing investments in time has been paralleled by the unevenness of its geography. The Portuguese social housing stock thus remains concentrated in larger cities, though there are significant differences among them (figure 2). For instance, in Porto, social housing units account for 14.1% of the total dwellings used as main residences. Of this, 12.2% is owned by the municipality and managed by its housing company, *Domus Social*, while 1.9% is owned by the central government. In contrast, in Lisbon, social housing represents 10.3% of main residences, with 7.7% owned by the municipality and 2.6% by the central government. In smaller cities, as in Braga, the proportion of social housing tends to be lower.

The small percentage of social housing and its geographic concentration can be traced back to the history of housing policy in Portugal. Housing policy has focused, on the one hand, on eradicating shanty towns and squatter settlements that emerged due to the proliferation of informal housing in densely populated areas; on the other hand, on promoting homeownership through subsidised mortgages and tax deductions.

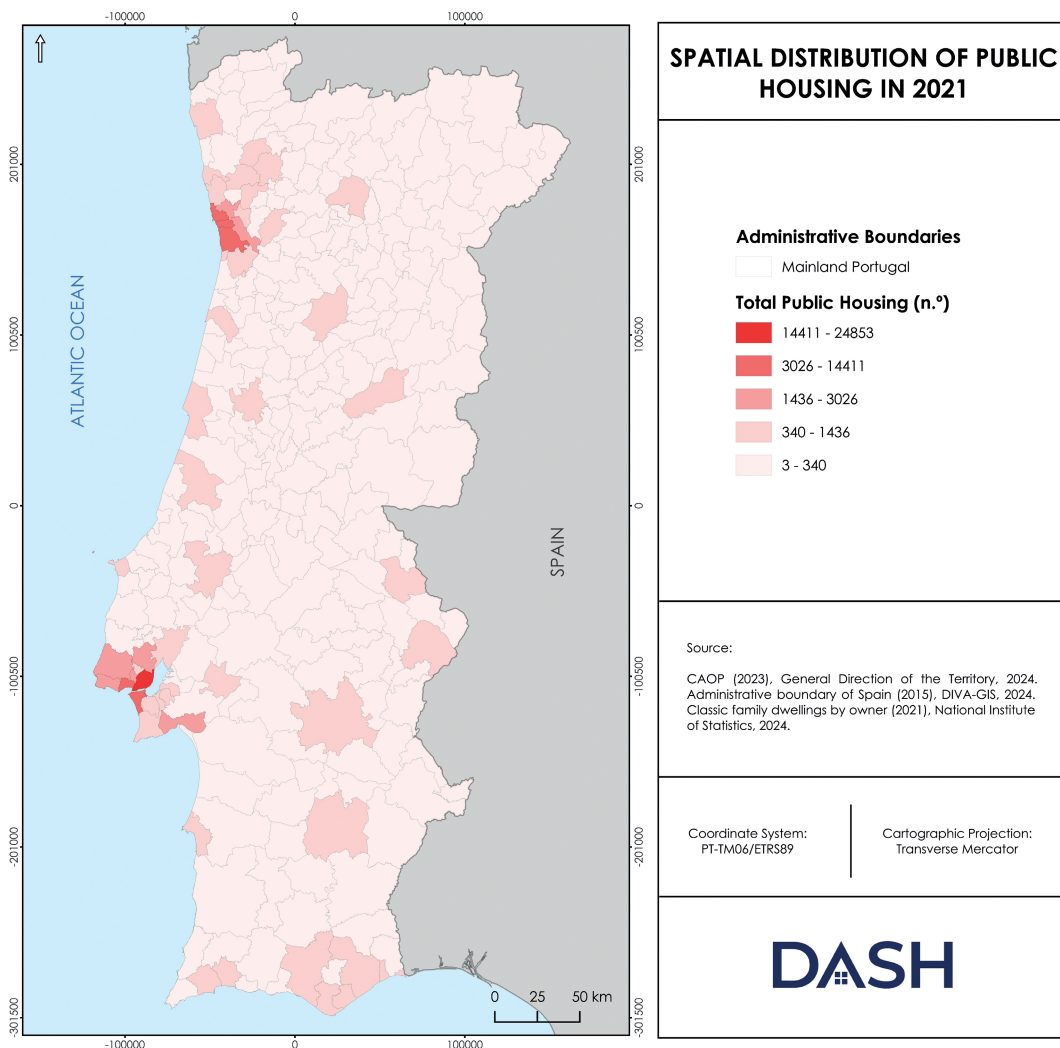


Figure 2: Geographical distribution of the public housing stock, Portugal / Source: Census 2021, INE

Between 1987 and 2011, nearly three-quarters of Portugal’s housing budget was allocated to mortgage subsidies, while only 8.7% was spent on rent subsidies and 17.9% on direct housing provision. This approach to housing policy significantly influenced the country’s economic dynamics, acting as a pathway to homeownership for working- and middle-class households. During this period the volume mortgage loans expanded markedly, from €5 billion in 1990 to €104 billion in 2008, while the population grew by only 10% during the same period. Approximately half of all mortgage contracts signed during this time were supported by the state through subsidised loans and tax deductions (Allegra et al., 2020). This contributed to a notable increase in homeownership rates (see figure 3). By 1991, owner-occupancy

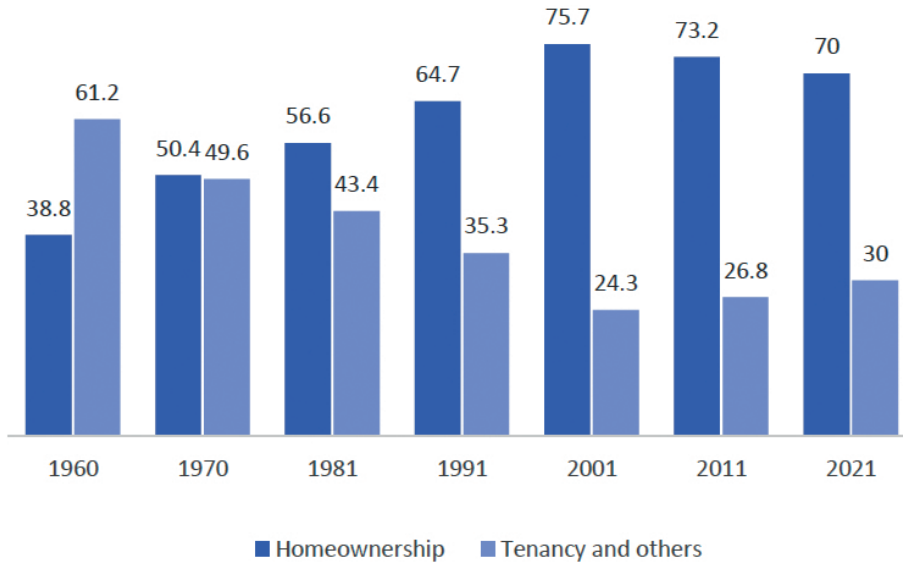


Figure 3: Dwellings used as main residence (%) by tenure status, Portugal, 1960-2021 / Source: Census 1960-2021, INE

had become the dominant tenure in Portugal, accounting for 75.7% of the total housing stock. While this trend spanned all socioeconomic strata, it was most prevalent among households with middle-to-high incomes (Garha & Azevedo, 2021).

Parallel to that (but mobilising far fewer resources) housing policy tried to address the problem of widespread inadequate housing conditions, and did so by focusing in large part on vulnerable populations.

The first public intervention was the so-called Special Rehousing Programme (*Programa Especial de Reajuntamento* or PER) (Decree law 163/93, May 7), an emergency programme specifically designed to address the needs of the metropolitan areas of Lisbon and Porto. The programme was designed as an urban clearance initiative aimed at removing the shanties and rehousing the residents of the informal settlements, irrespective of any assessment of the households' income, in new residential facilities (Allegra et al., 2022). This programme typically built new council housing estates on areas where cheap land was available, displacing slum dwellers to areas in the periphery characterised by a lack of infrastructure and reinforcing the segregation of people along lines of class, income and ethnicity (Branco & Alves, 2020).

With the goal of expanding and improving the design of the PER, the programme PROHABITA was created in 2004 (Decree-law 135/2004, June 3). PROHABITA aimed at improving the living conditions of families living in precarious housing. The key aspect of the programme was to provide subsidies to allow a wider range of housing solutions to promote better housing conditions. This could involve, besides construction, to acquire or rehabilitate existing housing units.

The most recent governmental intervention is represented by the First Right programme (*1.º Direito*), launched in 2018 by the national government, and since July 2021 funded by the Recovery and Resilience Plan (PRR) and the Portuguese state with an expected investment of 2.17 million euros until 2026. Similar to PROHABITA, the First Right is available to municipalities across the country, and funds a broad range of interventions and support mechanisms, such as the construction of new buildings, renovation of existing dwellings, acquisition of new buildings, and the leasing of buildings for subleasing.

### **1.3 Who can get access to social housing, and by which procedure and criteria?**

Portuguese law states that any national or foreign citizen with a valid residence permit in Portugal who does not live in decent housing and lacks the means to access adequate housing has the right to social housing. However, due to the limited availability of social housing units, access has, in practice, been generally restricted to a tiny minority of the country's population. Access to social housing is means-tested, and vacant dwellings are typically allocated to applicants facing severe housing problems (e.g., homelessness or living in precarious conditions that do not meet basic health, safety, and comfort standards) and/or those in vulnerable situations (e.g., individuals experiencing domestic violence, living with disabilities, or lacking subsistence means).

### **1.4 What is the socio-economic composition of the population living in social housing projects?**

In Portugal, data on the socio-economic composition of the population living in social housing projects are absent. The only available source of information is Eurostat's EU-SILC, which broadly refers to tenants paying reduced rent and does not precisely correspond to the population living in social housing.

According to EU-SILC, in 2023, 25.9% of these tenants had incomes below 60% of the median equivalised income. Additionally, households with dependent children are over-represented within this type of tenure arrangement, accounting for 16.8%.

A national survey of housing needs, commissioned by the Portuguese parliament in 2017 and conducted in 2018 by the Institute of Housing and Urban Renewal (IHRU) (*Instituto da Habitação e da Reabilitação Urbana*) – a government body responsible for supporting and implementing housing policies – identified 26,000 families living in sub-standard conditions in Portugal, with 74% located in metropolitan areas.

However, more detailed surveys carried out later, as part of local housing strategies, revealed that the number of families living in unsuitable conditions – such as unhealthy and insecure housing, overcrowding, inadequate housing for residents with disabilities or reduced mobility, and homelessness – could be as much as three times higher than the initial estimate.

The scale of housing needs in Portugal has become a growing concern in recent years (figure 4), driven by a combination of factors, including economic disparities, a limited supply of social housing, and rental market pressures, such as high rents in new contracts and a lack of regulation in the short-term rental market. As a result, social inequalities are deepening, particularly among those at the beginning of their housing careers (Azevedo, 2024).

In a more straightforward response to the question of the socioeconomic composition of the population living in social housing projects is that, due to the residual nature of the social housing sector, there is an over-representation of low-income families. This is largely the result of means testing or the prioritisation of specific groups, such as residents of informal settlements who entered the PER programme. Data on social rents for municipal housing, calculated based on household incomes, further illustrate this composition, which is dominated by poverty. For example, in 2023, the average social rent per household in a local authority accommodation was €80 per month in the municipality of Lisbon, €69 per month in the municipality of Porto, and €58 per month in the municipality of Braga.



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## Portugal housing crisis: 'I'll have to move back in with mum'

28 May 2023

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**Antonio Fernandes**

BBC News, Lisbon



Figure 4: BBC piece on protests over Portugal's housing situation /Source: <https://www.bbc.com/news/world-europe-6548590>

## 1.5 Who owns the social housing stock?

Social housing in Portugal is by and large owned and managed by municipalities or by municipal housing companies, while a small share of this housing stock is owned by the central government and managed by IHRU.

The period between the 1980s and the economic recession in 2007-11 corresponded to an era of stock transfer and alienation of public housing stock in Portugal. Between 1980 and 2007, the IHRU reduced its housing stock from 39,197 to 12,549 units by transferring it to municipalities (42%) and through sales to sitting tenants (26%) (see figure 5). The massive stock transfer to municipalities (16,435 dwellings) and sitting tenants (10,213 dwellings) would have been greater were it not for the municipalities refusing to accept the transference of low-quality housing stock (with an average age of 28 years in 2007) made up of low rents and vulnerable families without the allocation of more resources at the local level.

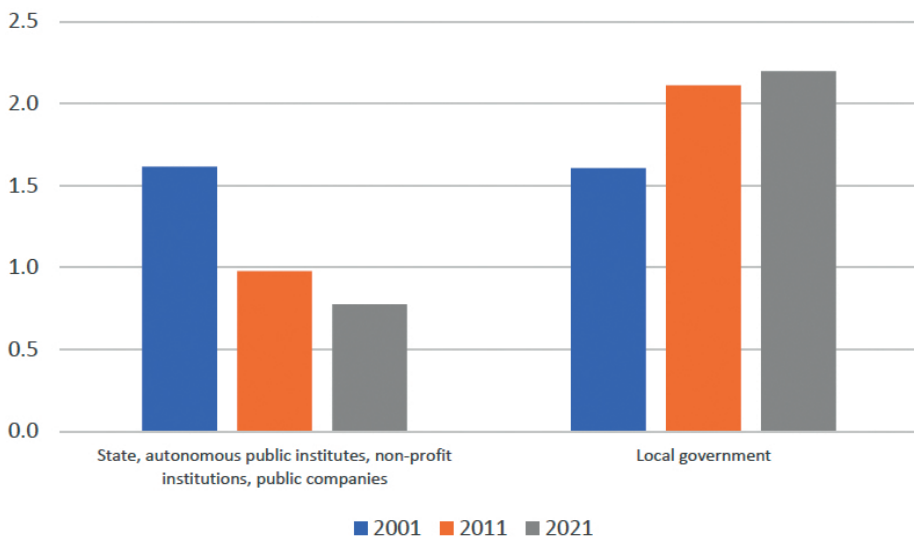


Figure 5: Dwellings by type of public ownership (%), Portugal / Source: INE, Census 2001-2021

During the 1990s, municipalities began transferring the management of housing stocks to dedicated municipal companies. In 1998, a new regulatory regime was established to create a common framework for existing municipal companies, which were given one year to comply with the legislation (Law 58/1998, August 18). For example, BragaHabit and Porto's Domus Social were established in 1999 and 2000, respectively.

## 1.6 Who pays for the construction and maintenance of social housing?

According to legislation, the competence for housing matters is shared between the national/central government and local authorities. The national government establishes the general framework for the sector, provides funding instruments, sets financial regulations, and issues generic guidelines. Meanwhile, local authorities are responsible for providing land, planning and implementing projects, and managing social housing—either directly or indirectly through public housing companies.

In practice, a division of labour has emerged over time between the national government and the municipalities. While municipalities are responsible for the implementation of housing policy (making all housing policy technically “local”), the national government has been the main provider of funds—a crucial role given that most municipalities lack the necessary financial resources. This funding has supported the major housing programmes of the last 50 years.

The transfer of properties from central state institutions (such as the IHRU) to local authorities, implies that municipalities are responsible for its maintenance. However, their financial capacity to make necessary investments has been limited. Most Portuguese municipalities have faced a relative lack of resources, particularly since the early 2000s. This has created significant financial challenges, not only for the construction of new social housing but also for the maintenance of the existing stock. As a result, many municipalities view social housing as a heavy financial burden, which has limited investments in maintenance and the provision of services to residents. In many cases, this financial strain has even pushed the sale of social housing units.

Figure 6 shows the distribution of public housing stock across the country, divided between municipalities and the central government. It is worth noting that the average national monthly rent for IHRU per household in a social accommodation is €30. In Lisbon, where the Institute owns approximately 2,600 dwellings, the average monthly rent is €76.

To summarise, the established *modus operandi* of the last 30 years has therefore brought a sort of practical division of labour between central and local government, in which the central government has acted as a bank for municipalities, providing funds and (mild) policy guidelines, while the latter have been tasked with the responsibility of providing the land and implementing the projects. Similar arrangements have underlined all the main phases of investment in social housing, for example through the PER, PROHABITA and, today, the First Right.

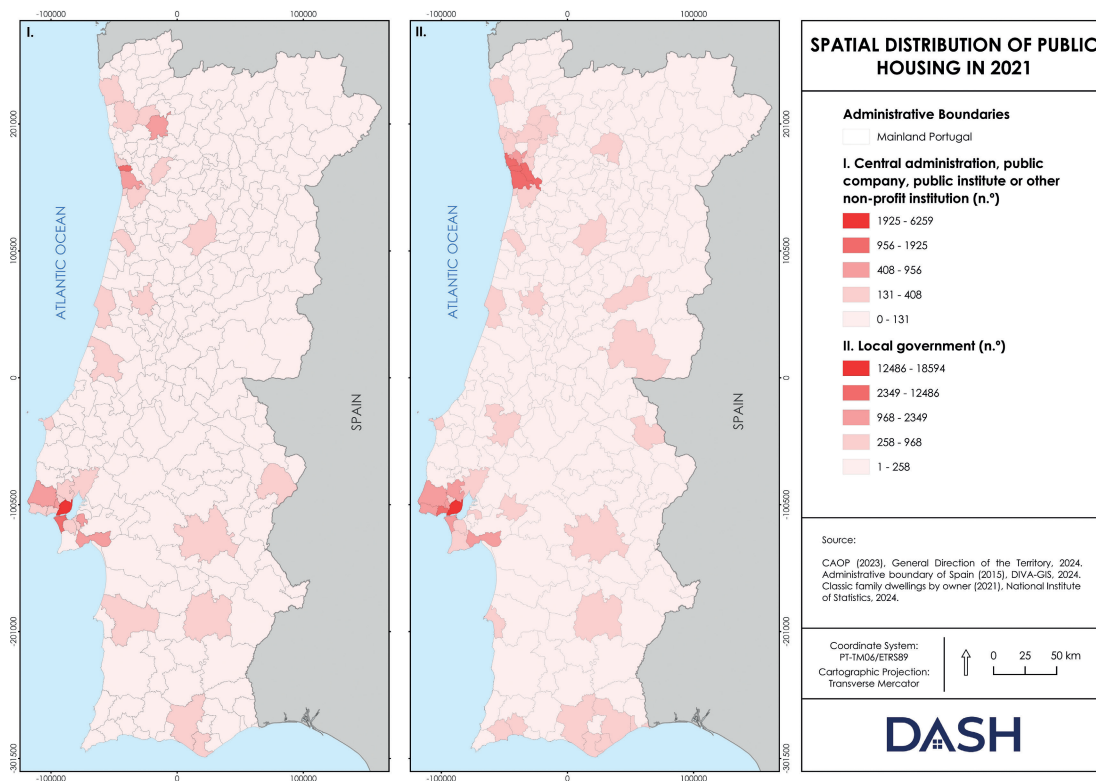


Figure 6: Geographical distribution of the public housing stock according to central and local government ownership, Portugal/Source: Census 2021, INE

## 2 Characterisation of “affordability”

### 2.1 How is “affordability” defined in conceptual and operational terms in the country’s social housing system?

The terms “affordability” and “affordable housing” have different meanings, that require thoughtful consideration. “Affordability” refers to the degree to which housing is reasonable priced and accessible to individuals or groups, typically in relation to their financial capacity (for example vis-à-vis households with different levels of earnings). Thus, housing affordability refers to the ability of families to pay for housing (rent or purchase) without excessive financial burden, which is typically measured as the ratio between housing costs and household income. Eurostat uses the housing cost overburden rate to measure the proportion of the population living in households where the total cost of housing exceeds 40% of their equivalised disposable income.

Figure 7 draws on a different indicator—total monthly housing costs per household, adjusted for purchasing power parity across EU countries (in Purchasing Power Standard – PPS)—which does not relate housing costs to income. This measure is used to illustrate that housing costs for tenants have followed a near-continuous upward trajectory since 2008 and remain substantially higher than those paid by homeowners. This is largely, though not exclusively, due to the significant proportion of outright owners—i.e., homeowners without mortgage payments—who face considerably lower housing costs than both mortgage holders and, even more so, tenants.

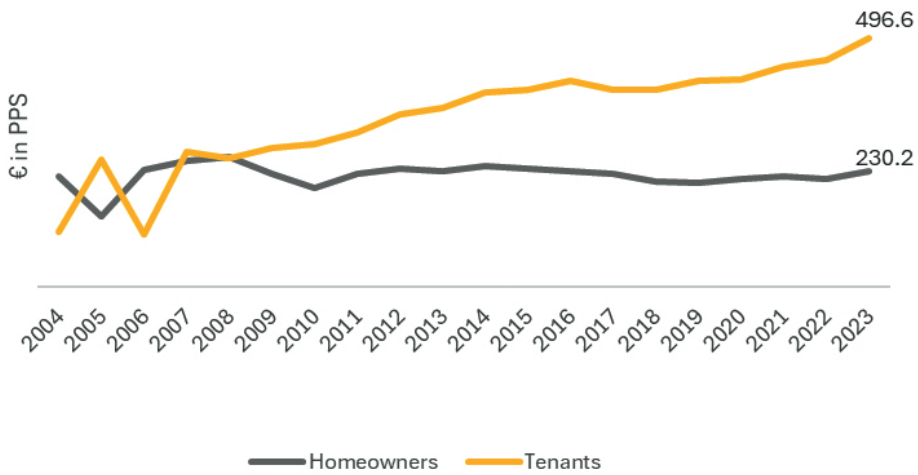


Figure 7: Total monthly housing costs per household in Purchasing Power Standard (PPS), Portugal, 2004–2023. Source: EU-SILC survey [ilc\_md03]

As mentioned before, homeownership rates in Portugal are high (70% of the dwellings were owner-occupied in 2021, according to the Census), and more than half of them are outright owners (61.6%). Many of the owners with loans or mortgages have purchased their home before the current housing crisis, and some have benefited from the state-promoted low interest rates during the 1980s and 1990s.

The current housing crisis disproportionately affects those trying to (re-)enter the housing market, either through renting or ownership, as they face rising prices and limited availability. This group, often without prior access to the “housing ladder,” is particularly vulnerable to the lack of affordable housing options.

The concept of “affordable housing” refers to specific measures introduced by local or central governments to facilitate access to housing. For instance, in 2019, the central government launched the Affordable Rental Programme (PAA) [*Programa de*

*Arrendamento Acessível*], which offers fiscal incentives to increase the supply of rental housing at prices aligned with families' incomes. Under this programme, landlords can place their properties on the rental market at discounted rates for a minimum period of three years in exchange for tax exemptions on the rental income.

Additionally, under the Recovery and Resilience Plan, the government provides loans for public affordable housing, with funding capped at 775 million euros. Eligible housing projects under the PAA must offer rents at up to 80% of market levels within the local area, ensure lease contracts of at least 5 years, and maintain a tenant's affordability ratio – the proportion of household income spent on housing – between 15% and 30%.

While the government defines “affordable rent” as rents set at 80% of the median market price at the district level, with a household effort rate below 35% (Law-Decree 68/2019), academic studies have questioned its effectiveness. Analyses comparing the lower quartile house price to lower quartile earnings or the median house price to median earnings indicate that such rents are not genuinely affordable in many regions of Portugal, particularly in metropolitan areas like Porto and Lisbon, as well as the Algarve (Travasso et al., 2020).

## **2.2 What mechanisms guarantee that social housing is affordable for households?**

In the social housing sector, affordability is ensured through low rents within a system where local public authorities own the housing stock and set rent values based on household income. Available data from 2019 reveal significant variation in social housing rents across municipalities, though rents remain far below market levels. For example, in the municipality of Lisbon, the average rent for social housing units was just €80 per month, with 513 units rented at as little as €4 per month. Beyond the social housing sector, various programmes for “affordable housing” or “affordable rent” have been introduced over the past decades (see Section 2.1).

In recent years, community-led and government-backed initiatives have emerged to promote a new generation of housing cooperatives as a complementary approach to existing affordable housing solutions. Unlike traditional cooperatives – which have not always ensured long-term affordability – these new initiatives focus on innovative collective ownership models. Designed to prevent speculative price increases, these models aim to protect affordability efforts from being rapidly absorbed by the market. While this community-driven approach is increasingly viewed as a sustainable strategy for ensuring perpetual affordability, it has yet to gain significant momentum. In Portugal, interest in developing such models has been growing in recent years. To support their progress and impact, it would be valuable to establish clear criteria to monitor their effectiveness and to differentiate them from other cooperative initiatives that do not prioritise housing affordability.

### 3 Policy trajectory

#### 3.1 What have been the main developments in the recent past (30 years)?

Like many other southern and eastern European countries (Azevedo, 2016), Portugal's housing sector is largely characterised by high rates of homeownership across all social strata, including significant rates of second homes, a weak and polarised rental market (Alves et al., 2023), a relatively underdeveloped welfare system, and a reliance on family networks and support (Azevedo, 2024). Against this backdrop, and drawing on Allegra et al. (2020), we can outline the key factors and milestones that have shaped the trajectory of the housing sector over the past 30 years.

At the beginning of the 1990s, the country was facing a severe housing crisis – one largely due to the combined effect of the mounting urban pressure on the metropolitan areas of Lisbon and Porto in the previous two decades and of the lack of public investments in the housing sector. This led to the proliferation of informal settlements in the suburban belt of both cities – in 1993, a comprehensive survey in the two metropolitan areas counted some 50,000 households for a total of more than 150,000 residents, many of them black immigrants from the former Portuguese colonies in Africa.

This situation led to the launch of a government “housing package”, of which the PER was the most prominent programme. Thus (and somewhat contrary to the trends prevailing in Western Europe at the time), Portugal embarked on a large-scale, old-fashioned social housing programme that involved the rapid construction of some 50,000 housing units in newly built and often large social housing estates. In fact, since the mid-1990s, scholars, practitioners, and activists have continued to criticize the results of the PER - for the over-concentration of vulnerable populations in new public housing projects, for the lack of services for residents, for the lack of building quality, and on and on.

Since the early 2000s, however, Portugal has been experiencing a “housing drought” (Allegra et al., 2020): with the end of the PER financial transfer from the central state for social housing came *de facto* to a halt, leaving municipalities to fend for themselves at a time when their ability to borrow was substantially reduced by new regulations; at the same time, the subsidised mortgage scheme was withdrawn.

Against the background of declining public investment, several reforms of the housing sector were introduced (both before and after the financial crisis in 2010). The austerity measures imposed on Portugal by the EU, the European Central Bank and the International Monetary Fund included the liberalisation of the rental market (which ended the system of rent control and introduced a simplification of eviction procedures), the introduction of the “Golden Visa” legislation and the “Temporary Resident” permits which included a series of tax benefits to incentivise wealthy foreigners and pensioners to move their residence to Portugal.

Somehow paradoxically, however, it was Portugal's economic recovery after 2014 that sparked the current housing crisis: the boom of the touristic flows into the country and of the industry of short-term rentals, coupled with the progressive financialisation of the housing sector, determined the vertical growth of real estate prices in the areas of Lisbon, Porto, in the seaside destinations of Algarve—and of the country in general.

The crisis has disproportionately affected tenants in the private rental market (Azevedo, 2024) as there is no rent control in Portugal, and therefore new contracts tend to fully reflect the increase in market prices. The crisis has been especially particularly severe for tenants with a precarious economic situation and those in the lower half of the income distribution, as the cost of living (including housing costs) has risen much faster than income. According to Eurofound, whose statistics are based on Eurostat data on total housing costs in PPS (EU-SILC survey), the highest increase in the proportion of renters spending more than 40% of their income on housing costs between 2010 and 2019 was recorded in Portugal (Eurofound, 2023). According to the Housing Barometer in Portugal (Azevedo & Santos, 2023), one in nine people fear losing their current home in the next 5 years. Of those who are afraid, half are worried about a possible increase in rent, while around a quarter fear being evicted by their landlord; a third would have nowhere else to go if this happened.

The rapid escalation of the crisis brought housing issues back to the public discourse and multiplied the calls for a more incisive action on the part of the government. This resulted in the reestablishment of the ministry of Housing (2017) in the launch of the NGPH (2018), and in the approval of the Framework Law for Housing (FLH) (Law 83/2019, September 3).

The NGPH and the FLH wished to introduce several paradigmatic changes in the Portuguese housing system. The NGPH, in particular, set the goal of guaranteeing “universal access to adequate housing” (bringing the quota of public-supported housing unit from 2% to 5% of the total national stock by 2024); of shifting the traditional focus of housing policies (from new construction and homeownership to refurbishment and rent); and of introducing qualitative innovations in the governance of the sector – “from a centralised and sectorial policy, to a model of multilevel, integrated and participatory governance” and “from a reactive to a proactive policy, based on the sharing of data and knowledge and in the monitoring and evaluation of results” (Secretaria de Estado da Habitação, 2017).

Despite the considerable ambitions expressed by the NGPH and the FLH, policy implementation in the following years fell short of the stated goals. This was due to a number of problems, including the lack of sufficient incentives for landlords and municipalities to comply with the various NGPH programmes (and especially the First Right).

The situation changed only with the substantial injection of financial resources provided after the Covid pandemic by the EU-sponsored Recovery and Resilience Plan, under which about 3.2 billion euros were allocated for investments in the housing sector. In addition to being a historical turning point (for the first time EU funds were

allocated to housing policy in Western Europe), this made it possible to increase the funds allocated to the First Right (which received about 1.4 billion euros from the EU out of a total budget of 2.17 billion euros) and to finance 100% of the costs of its operations (Varea Oro et al., 2024).

More Housing (*Mais Habitação*) (Law 56/2023) introduced a broad set of measures to improve access to affordable housing. Among these initiatives is the New Generation of Cooperativism for the Promotion of Affordable Housing (*Nova Geração de Cooperativismo para a Promoção de Habitação Acessível*), designed to promote affordable housing through innovative, non-profit cooperative models based on collective ownership, long-term surface rights, and sustainable, intergenerational designs, supported by municipalities through public land and resources. While pilot projects were announced, no financial solutions have been presented, and no construction has begun, leaving the initiative yet to take concrete shape. Meanwhile, the Prime Minister resigned, leading to early elections and the victory of the current government, which profoundly altered the previously designed measures to focus on support for homeownership and construction.

### **3.2 What are the current main challenges and developments in the sector?**

One of the major challenges facing the housing sector in Portugal is the sharp increases in housing prices over the past years, affecting governments capacity to provide adequate affordable housing to local communities. The possibility of turning long-term rentals into short-term rentals has attracted more investors (foreign and institutional), thus reducing the stock of housing that is accessible to low- and middle-income families. The increasing financialisation of the housing sector, with the penetration of speculative and institutional investors has expanded the disconnection between housing prices and wages across all tenures (Santos, 2024; Whitehead et al., 2023; Tulumello et al., 2020).

In this regard, it is worth noting that Portugal is among the European countries with the highest income inequality, as reflected by a Gini Index score of 33.7 in 2023, compared to the EU average of 29.6 (Eurostat, 2024). Since 1994, the Gini Index in Portugal steady declined, driven by reforms in taxation, the labour market, transfer payments, and the pension system. However, since 2019, this trend has reversed, with the Gini Index showing a sharp increase, indicating a rise in inequality. The number of homeless people has also increased significantly over the last decade. Official data from 2020 indicates that there were 8,107 homeless people in Portugal in that year, but associations and street teams estimate that there are currently 10,773 homeless people, demonstrating the difficulty of access to social housing or housing assistance for those in need. “Housing First” policies for people who are homeless, or about to become so, need to be scaled up.

The percentage of the Portuguese population that spend 40% or more of their household disposable income on housing varies considerably across regions. In tourist

areas international buying capacity and the use of housing for tourism has inflated the price of housing in the metropolitan areas of Lisboa and Porto, as well as in the region of Algarve and the archipelago of Madeira. The case of the Algarve seems furthermore to prove that the focus on housing supply as the main solution to affordability is not credible: in the region, new construction has been directed towards foreign demand, which expresses a far greater purchasing power (Ryan-Collins, 2021). It also shows that the increase in rents and housing prices has exclusionary effects for many families of low- and middle-income, including key workers such as nurses, teachers, and police officers, who can no longer afford to live where they work (Garha & Azevedo, 2025). A recent study revealed that in the Lisbon metropolitan area – home to approximately 2.9 million residents, nearly a third of Portugal’s population – two-thirds of households cannot or would not be able to secure adequate housing within the market in their municipality (Pinho et al., 2022).

The housing crisis in Portugal has disproportionately affected young adults, driven by job insecurity and lower incomes. As a result, many young people are forced to stay longer in their parents’ homes, unable to afford independent housing. This trend is having a negative impact on household formation and fertility rates (Azevedo & Santos, 2023).

Portugal is undergoing significant demographic changes that are impacting its housing sector. The population is aging, average household size is decreasing, and interior regions are experiencing depopulation. At the same time, population density is increasing in the more dynamic urban centers along the Atlantic coast.

Finally, despite the progress made in Portugal in combating discrimination, there are still inequalities in access to housing related to discrimination, which impacts negatively upon families belonging to ethnic minorities. A survey conducted in 2014 by the IHRU estimated that the number of Roma in Portugal is around 37,346 individuals, comprising 9,418 families that live in 9,155 dwellings (Secretaria de Estado para a Cidadania e Igualdade and Alto Comissariado para as Migrações, 2018). About 40% of families (3,012) still live in non-classical housing, for instance, barracks or caravans (Vuksanović-Macura & Alves, 2024).

### **3.3 How do you see the future development of the sector?**

In Portugal, we are currently seeing momentum for more proactive housing policies; this has been evident starting from the second half of the 2010s, when housing issues came back to the limelight. Significant parliamentary and governmental initiatives were launched (the FLH and the NGPH, respectively), and public investment in the housing sector (and social housing specifically) has grown.

The combined impact of these factors has brought some positive results, first and foremost by renewing public activism in the housing sector after a long period of pause – the First Right being the most consequential programme in this respect. This has allowed for mobilising human administrative resources at both central and local

state levels; vastly increased the wealth of information and data about the current housing situation in the country; stopped a process of alienation of the publicly-owned social housing stock; and allowed its long-overdue renovation. It is difficult, however, to judge how this critical mass, which has formed in the last few years, will impact the future development of the sector.

First, while the EU-sponsored PRR has provided a significant injection of financial resources, it has also introduced a heavy workload and a pressing timeline, placing considerable stress on the undersized administrative machinery of both the IHRU and Portuguese municipalities.

Empirical evidence suggests that the urgency of project execution has been shifting municipal priorities, encouraging the adoption of ready-made, quick solutions. This trend risks detracting from the NGPH's original ambition of driving a qualitative paradigmatic shift in the governance of the housing sector—such as fostering greater public participation in decision-making processes and addressing new housing needs resulting from demographic transformations and changes in family structures. Ultimately, inequalities, including housing inequalities, threaten social and territorial cohesion, economic growth, and overall well-being.

Second, statistical evidence (Varea Oro et al., 2024) indicates that the current wave of housing investments has been concentrated in municipalities with greater resources, typically the larger cities along the coastal line, to the detriment of municipalities in other parts of the country. This disparity arises because municipalities do not have equivalent capacities in terms of technical staff, access to information, or even the political will to address housing inadequacies. Indeed, technical resources are unevenly distributed across Portuguese municipalities. As a result, this process risks reinforcing existing inequalities. The government's decision to adopt a performance-based logic (first come, first served) instead of allocating funding based on standard assessments of housing needs has led to perverse distributional outcomes, undermining the goal of reducing social and spatial inequalities. Additionally, it remains unclear how the government plans to address the significant gap between the number of households targeted by the PRR (26,000) and the much higher number of interventions agreed upon under the First Right program, which exceeds 60,000 families – although at the time of writing the government has promised that it will finance intervention on an additional 33,000 housing units in the period 2025-2029 (RCM 129/2024, September 25).

Third, certain vulnerable groups have by and large remained excluded from state intervention. The government itself has acknowledged that its PRR response may not reach those in the most challenging situations (such as communities living in shacks) due to timeline associated with building new housing – launching projects, issuing tenders, and completing construction. Also, although the government has approved the National Strategies for the Integration of Roma Communities, it has not acted to ensure that the core principles of non-discrimination and non-segregation are upheld in the implementation of public policies. All in all, this means that the PRR could inadvertently reinforce existing inequalities rather than alleviate them.

Finally, it remains unclear what resources will sustain Portugal's housing policy once the PRR budget is exhausted. This concern is particularly relevant given the pre-PRR experience, where the implementation of NGPH programs – most notably First Right – was effectively stalled due to the lack of favourable financial conditions offered to municipalities. If Portugal enters another phase of “housing drought,” the political, administrative, and financial capital accumulated in recent years could be jeopardized. Beyond expanding public housing supply, the question arises as to whether the Portuguese government will adopt best practices observed in other countries. These include measures such as restricting foreign buyers from purchasing homes, regulating the short-term rental market for tourism, and implementing inclusionary housing policies (such as Denmark's 25% rule, requiring that new residential constructions include a mix of supported housing, social housing, and regular housing).

## 4 Social housing in Braga

### 4.1 Does the local situation compare with the national characterisation presented above?

The total housing stock in Braga, as recorded in the 2021 Census, consists of 88,623 dwellings. The local and central government, autonomous public institutes, non-profit institutions, and public companies own only 1.2%, a figure significantly below the already modest national average of 3%.

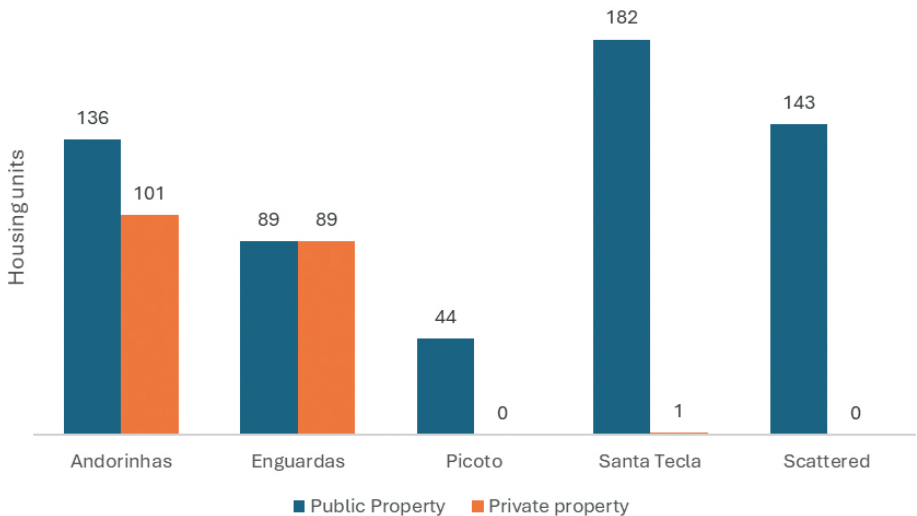


Figure 8: Distribution of Braga's social housing stock by neighbourhood, in 2024 / Source: BragaHabit

The municipality of Braga is responsible of 729 social housing units. While the majority of these are municipally owned (577, or 79.1%), a growing share is constituted by privately-owned units rented by the municipality for subletting as social housing (152, or 20.9%). The majority of social housing beneficiaries in Braga are low-income households, single-parent families, and seniors living alone. Another significant share is constituted by families experiencing social or economic vulnerability, rehoused from inadequate living conditions, such as overcrowding or structural deficiencies in their previous homes. The social housing stock in Braga is primarily concentrated in four neighbourhoods, with additional units dispersed throughout the city (figure 8).

## 4.2 What have been the main developments in the recent past (30 years)?

The municipality of Braga has experienced population growth since 2001, well above the national and regional levels (figure 9). This growth may be attributed to a positive migration balance, particularly since 2015, which has increased pressure on the housing market, with regard to both rental and purchasing.

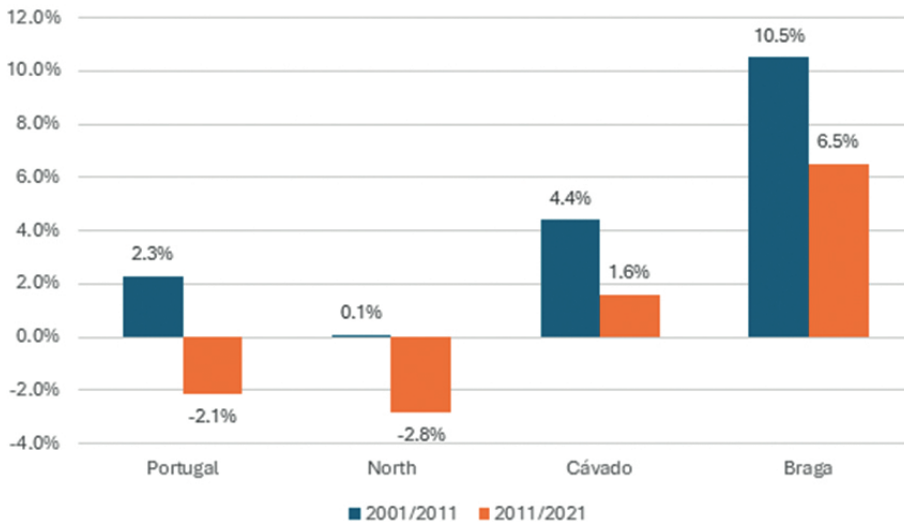


Figure 9: Growth rate of the resident population (%), in Portugal, and selected areas /Source: Census: 2011 e 2021, INE

The increasing demand for housing, combined with limited supply, has highlighted the need for additional social and affordable housing, contrasting with market-driven housing developments. The city's growing appeal to young professionals and families has been fuelled by factors such as economic growth, increased tourism, and relatively lower housing costs compared to Lisbon and Porto. However, the ongoing rise in

housing prices poses challenges for lower-middle-class families, potentially threatening Braga's attractiveness as a more affordable and liveable alternative to Portugal's larger urban centres.

In relation to the housing stock, Braga has a high proportion of aged residential buildings. Specifically, 35.3% of the buildings were constructed prior to 1981, and 10.4% of the total were identified as requiring significant rehabilitation (Census 2021). The majority of dwellings are used as primary residences (81.2% in 2021), however, a significant proportion (8.8%) is vacant, a figure that, while decreasing in the last two decades, remains relatively high.

Braga's social housing is concentrated in four neighbourhoods built between 1974 and 2000: Picoto (figure 10), Andorinhas, Enguardas (figure 11) and Santa Tecla (figure 12), with additional units scattered throughout the city. In the following analysis, we examined the developments that have occurred over the last three decades.

### **1974–2000: Social housing construction**

In the period spanning from the late 1970s to the end of the 1990s, a number of social housing neighbourhoods were constructed in response to the escalating demand for housing from low-income segments of the population. This phenomenon was further exacerbated by the processes of urbanisation and expansion of the city.

The design and implementation of these projects benefited from housing grants and the introduction of new planning instruments, such as the compensatory equalization mechanisms (Basic Law for Spatial Planning Policy, Law 48/98 of August 11, 1998), which enabled the financing of such developments.



Figure 10: Picoto neighbourhood / Photo Braga Municipality

However, the choice to build social housing neighbourhoods in segregated areas, lacking in facilities and infrastructure, contributed to promoting social exclusion, resulting in areas more vulnerable to poverty and exclusion. The poor quality of the construction and the lack of maintenance and rehabilitation policies have resulted in degradation problems over time.



Figure 11: Enguardas neighbourhood /Photo Braga Municipality

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Figure 12: Santa Tecla neighbourhood /Photo Braga Municipality

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**2000–2008: The first years of the municipal housing company and the challenges to urban rehabilitation**

Braga's municipal housing company, BragaHabit, was created in 1999 to manage the city social housing stock. BragaHabit's focus was the requalification of run-down social housing estates and the use of housing programmes such as PROHABITA (Decree-Law n.º. 135/2004, June 3) to create housing solutions for low-income families. However, the focus on rehabilitation coincided with the real estate boom of the 2000s, driven by easy access to credit and speculation in the real estate market. Housing prices reached a peak in 2007, but in 2008 the global financial and economic crisis determined their sharp fall.

**2008–2017: The challenges of gentrification**

After the crisis, the real estate market gradually recovered, but the pressure on the housing market, especially in Braga's historic centre, intensified. This made it more difficult for many middle and low-income families to afford housing in the city centre. Despite the growing focus on the rehabilitation and revitalization of central areas, gentrification created a scenario where social inclusion became a greater challenge.

During this period, several mechanisms were created with the aim of reducing socio-economic disparities and ensuring a more equitable distribution of the benefits and burdens of urban interventions. However, their application was affected by the complexity of the planning processes, including the lack of technical training and of consultation between the agents involved; and to the introduction of stricter planning requirements which contributed to increase the bureaucratic costs and slow down project execution.

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### 4.3 What are the current main challenges and developments in the sector, and how do you see the future development of the sector?

In recent years, the municipality of Braga has faced growing pressure in the housing market, evidenced by the significant increase in sale and rental prices, especially in the central and surrounding parishes, which has made access to housing difficult, particularly for middle and low-income families. According to the median rental value per m<sup>2</sup> of new residential lease contracts, in 2024, in Braga (7.69 euros/m<sup>2</sup>), renting an 80 m<sup>2</sup> apartment could easily exceed 600 euros per month. This situation has contributed to drive people away from central areas. The housing market has not been able to respond adequately to the demand for affordable housing; at the same time, however, the public housing sector has struggled to remedy this situation due to the significant financial constraints that the local government is facing.

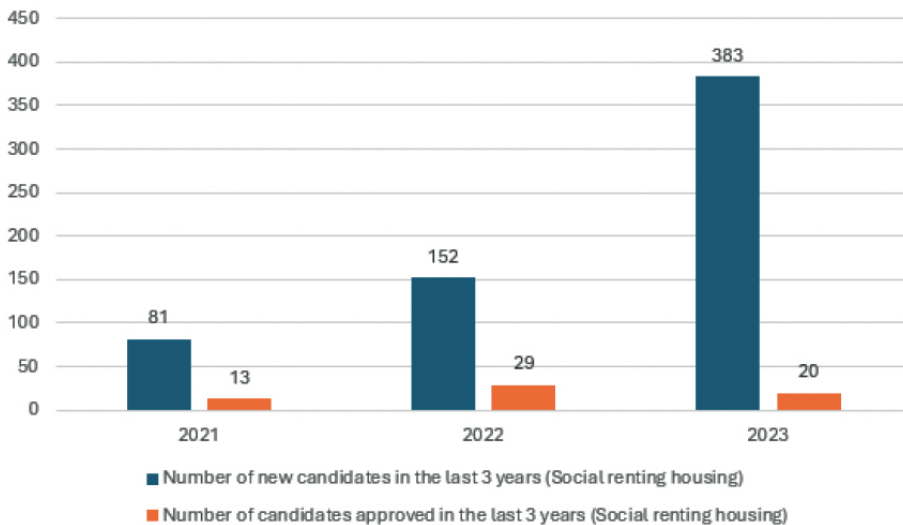


Figure 13: Waiting list for social housing in Braga, in 2021-2023 /Source: BragaHabit

The current challenges are most visible in the evolution of the waiting list for access to social housing in Braga, which recently saw an increase of 373% (from 81 applicants in 2021 to 383 applicants in 2023, see figure 13).

At the same time, many of the city social housing estates are facing significant challenges. Despite efforts from the municipality (for example through the Integrated Action Plan for Disadvantaged Communities, or PAICD [Plano de Ação Integrado para as Comunidades Desfavorecidas]) housing degradation and social stigmatization continue to be persistent problems in the social housing neighbourhoods.

In order to meet these challenges and ensure that the growth of the housing stock follows the demographic dynamics (the city population is expected to pass the 200,000 residents' threshold in the coming decade), the municipality of Braga plans on building more than 700 housing units per year. In the next few years, Braga will invest in the rehabilitation of the existing housing stock (and especially in the Urban Rehabilitation Areas, or ARUs) by mobilising the resources of programmes such as the First Right and the National Fund for the Rehabilitation of Built-Structures [Fundo Nacional para a Reabilitação do Edificado (FNRE)] programme with the goal of improving substandard housing; in a municipal scheme of affordable rent. In this respect, the city sees the involvement of the private sector as a strategic asset in increasing the offer of affordable housing opportunities.

In addition, the implementation of a compensatory equalization system in the Municipal Master Plan (PDM) is essential to redistribute the costs of rehabilitation and infrastructure, ensuring greater equity in urban intervention, as well as making it possible to raise land in return for large subdivision projects, reinforcing the municipality's housing response capacity.

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