

From shrinking regions to thriving communities: housing as a socio-economic and demographic lever

1. The EU acknowledges the existence of a Europe-wide housing crisis and, indeed, we thank the Parliament's Special Committee on the Housing Crisis in the European Union (HOUS) for co-hosting this seminar.

Eurostat tells us that within the EU, house prices have increased by 55.4% between 2010 and 2024.

In Portugal the crisis is acute: overall, the price increase was of 120% in the same period. It was as much as 269% in the municipality of Lisbon, which includes the historic city centre and the CBDs, reaching up to 10 000 euros per sq. metre in its most desirable neighbourhoods, in 2024. The first specific, local reason, for this was the success story of the joint effort of the government's first-ever renewal programmes for decaying city centres, namely those of Lisbon and Porto, and the Portuguese tourist board's promotional strategy which included special agreements with low cost airlines:

It suddenly seemed the whole country had become a tourist hotspot. Everyone that could do so set up a small hotel, bed and breakfast or any other sort of local lodging. International hotel chains came in big. And residents were literally pushed out.

The second reason was the creation of tax relief schemes for ex-pat retirees and easy visa access for rich foreigners, such as the Golden Visa programme, in which real estate purchase of more than half a million euros was adamant.

All of a sudden, the Portuguese housing market was in complete upheaval.

For locals, on their virtually unchanged salaries, finding appropriately priced properties in these now prime areas became impossible.

A constant trend of population displacement away from the city centres of Lisbon and Porto and from the prime areas of certain 'leafy' suburbs and tourist areas towards ever - more distant neighbourhoods has set in. Doctors, nurses, teachers, civil servants can't take jobs in central areas

because they can't afford housing; for other less qualified workers it is even more difficult: - under-manning and labour shortages become dire, seriously threatening the quality of services. Local shops, artisans and small businesses, -some hundreds of years old -, shut down or go elsewhere. Many youngsters find it impossible to start independent lives and have to stay at home with their parents until incredibly late ages. Immigrants, who flood in to take the vacant jobs, fall prey to dwelling speculators and are crammed in utter squalor and lack of hygiene into tiny flats and shops....inadvertently fuelling local resentment and violent far-right xenophobic sentiments further.

I know that many of you share similar experiences in your own cities: Amsterdam, Barcelona, Budapest, Prague, to state a few famous examples within the EU.

We are all seeking solutions, we are all looking at our cities, at the desirable areas of our countries that foreigners are suddenly so smitten with.

2. Yet, we are probably too narrowly focused; we are not looking further afield and other parallel phenomena that can show us alternative paths may be escaping us.

I have chosen to talk to you about a specific case study.

Away from these hard-pressed prime real estate areas, tucked away in a remote mountainous district on the Spanish border, the municipality of Penamacor saw its population shrink constantly between the 1960's and the 2020's.

Agricultural transformation and the ensuing rural exodus came late to most of the Iberian Peninsula, which was only slightly touched by the Industrial Revolution. It was after the baby-boom of the 1950's and 60's that the Portuguese rural population started to emigrate in huge numbers to the major urban areas of Lisbon and Porto, which were finally industrialising, and also further away from colonial war and poverty to France and, less so, to other European countries.

The outward flow towards the cities never stopped well into the 21st century, even when emigration abroad almost came to a halt: after 1986, EU-subsidised government policies to promote regional development and retain population in the rural areas failed recurrently.

Traditional agriculture was forsaken. Hundreds of small farms and plots of land left untended. Villages were almost deserted, but for a few old age pensioners who resisted moving. And this meant that hundreds of inhabitable dwellings were left empty or indeed abandoned over the last six decades. Most exposed to decay.

In Penamacor the population peaked at 18 660 in the 1951 census. It was down to 4 768 in the 2021 census. For every 100 people under 15 there were 667 over 65, in 2018. Believe it or not, this incredibly high last number, however, represents a first ever downward inversion.

A huge surprise!

Since 2016 a trickle of British nationals had started settling in this remote part of Portugal. Buying up homesteads, farms and village houses and having them renovated. First, specifically in and around the heavily aged village of Pedrogão de São Pedro and then in neighbouring areas within the same municipality of Penamacor.

2016, the year of the Brexit referendum, of course!

The flow increased in 2017, and, by 2018, there was the first inversion in the aging index. It continued increasing until 2020 when Brexit actually occurred.

By then other nationalities had started to hear of Penamacor, mainly online, and the British were followed by Swedes, Dutch, Germans, Irish and, more recently, even Russians, Australians, Americans and Canadians. Most of them have all sorts of online based jobs, about 20% are retired and a significant number have created new independent businesses and taken up agriculture and local traditional handicrafts such as pottery and woodwork, making them profitable.

Penamacor now has the highest percentage of foreign residents of all the Portuguese interior. More than 10% of the resident population comes from abroad. Maybe even more significantly, 20% of pupils at the local primary and secondary schools, - which had been concentrated in the main village of Penamacor itself due to the severe lack of local children-, now have foreign nationalities. An optional British syllabus primary and secondary course has been made available and there is a free very popular local Portuguese language course for adults.

The first signs of European immigration to 'abandoned' Portuguese rural areas occurred in the late 1980's and 1990's but they were limited to the

inland areas of the Algarve and the coastal areas of the Alentejo, rarely more than 60-70kms from the local beaches. It was altogether an inconsistent trend. One that has now been renewed, however, coinciding precisely with the European housing crisis. Even if nowhere quite as significantly as in Penamacor, this general trend can be identified throughout rural areas of the country, particularly the most remote ones, i.e. those furthest from the two main cities.

There are many variables involved in this movement.

In Penamacor, we identified:

- The will to escape Brexit as the first reason among the 450 British residents.
- But the cost of living in the UK cities, particularly the cost of housing in London was just as frequently mentioned.
- That, and the availability of cheap, easily renovated housing in this part of Portugal, of course, - made cheaper because often unconsidered by the real estate market.
- Cost of housing again and its value for money - the size of the property acquired, the possibility of having land and/or a garden, - is the most frequent reason mentioned by other nationalities.

Variables such as:

- The search for a more sustainable lifestyle and interaction with nature,
- The desire to raise children, in the case of young families, or to age, in the case of older settlers, away from conflictual social and political contexts as those they now find in most European and North American urban environments,
- The option of working from anywhere where there is a good internet connection...
- And just the need to slow down and enjoy life's simpler aspects, were also frequently referred.

3. Throughout Europe more than 38 million homes have been identified as vacant.

But there are many more abandoned dwellings in certain rural areas which are unaccounted for and excluded from the housing market, not even considered for reselling and renovation

In Portugal alone, there are around 800,000 registered vacant dwellings. Mostly transitioning dwellings and second homes. Accounted for by the real estate market.

But the number of abandoned rural homesteads and houses is countless. In my estimate, at least another half a million.

The severe housing crisis in Lisbon and Porto has made Portuguese families or individual citizens, who share similar concerns to those stated above for foreigners, follow this 'return to the rural world' trend. Many are settling in their parent's or grandparent's old homes or on their land, renovating what often are considered ruins, to work online or take local job offers or to set up new businesses, mainly in agriculture. They are all fleeing the current unsustainable financial pressure found in Lisbon and Porto or a miserable life in distant dismal suburbs with long hours of commuting and little or no free quality time. Elsewhere in Europe similar situations can be found.

4. This new European migratory trend must be identified politically as a cultural shift.

If deliberately supported by positive policies it may have a significantly beneficial economic effect on the housing market crisis but also on the high levels of social frustration and resentment it is generating, particularly among younger age groups.

The inclusion of a huge existing amount of abandoned, often derelict rural dwellings in the general housing market, - especially in countries or regions where, such as Portugal, Spain, Southern Italy or Greece, they are still more available because the rural exodus happened more recently -, will necessarily have an impact on the real estate market causing the overall housing offer to increase markedly. This approach will probably not be popular with the real estate and finance sectors; it will undoubtedly be popular with many of our citizens, though.

Promoting renovation of existing, even if derelict houses, instead of building more new ones, is also the environmentally sustainable option. And It will also help protect our territories from neglect and wildfires, for instance.

5. Making remote rural areas where such dwellings are found more attractive to the young and to those of working age seems to be an obvious decision to make. One, you may say, has been tried over and over again without much success.

New conditions now present themselves however:

- There is an extremely strong outward pressure from prime urban areas caused by the housing price crisis and
- There is a world wide web which can be accessed from everywhere and anywhere making globalisation an inescapable reality.
- New life values of environmental sustainability are setting in in many social groups.

It is up to us. And by us, I mean the European level decision makers and those who influence them, to establish new incentives that may accelerate the signs of a cultural trend and transform them into a real shift that will impact the living environment of our societies twofold:

- By clearly adding living destination options for our citizens, transforming devalued rural and remote areas into attractive destinations, we will also relieve pressure from the now heavily afflicted prime urban or 'tourist' areas, bringing more quality of life to those who choose to stay and to those who choose to move.

Other more traditional approaches will surely also be necessary to face the housing crisis; but we need to have a broader social perspective and include less obvious solutions in our efforts to resolve it.