

A Work Project, presented as part of the requirements for the Award of a Master's Degree in International Development & Public Policy, from the Nova School of Business and Economics.

**Evaluating *Mais Habitação* package  
from an Intergenerational Fairness Perspective**

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## **Abstract**

Housing policies in Portugal have been extensively discussed in academia. This study draws conclusions from the research question: Is the housing package "*Mais Habitação*" (Law n. ° 71/XV/1.<sup>a</sup>) intergenerationally fair? The CGF and SOIF toolkit, which analyses intergenerational fairness of public policies, was employed in this study. The preliminary findings indicate that the policy is probably intergenerationally fair. The research clarifies the nuances of housing policy in Portugal and presents actionable recommendations, marking a pioneering effort in housing policy evaluation.

## **Keywords**

Intergenerational fairness, Housing crisis, Policy evaluation, Political Economy, Golden visas, Housing supply, Family support, Gulbenkian Foundation.

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### List of Abbreviations

AL – Alojamento Local

CGF – Calouste Gulbenkian Foundation

CULD – Germany's Cooperative Urban Land Development

ECC – European Economic Community

EU – European Union

GDP – Gross Domestic Product

GEP – Gabinete de Estratégia e Planeamento do Ministério do Trabalho, Solidariedade e Segurança Social (MTSSS)

IHRU, I.P. – Instituto da Habitação e da Reabilitação Urbana, I.P.

IL – Iniciativa Liberal

INE – Instituto Nacional de Estatística

IRC – Imposto sobre o Rendimento das Pessoas Coletivas

IRS – Imposto sobre o Rendimento das Pessoas Singulares

IZ – Inclusionary Zoning

OECD – The Organization for Economic Cooperation and Development

PAA – Programa de Apoio ao Arrendamento

PAN – Partido Pessoas, Animais, Natureza

PCP – Partido Comunista Português

PeR – Programa Especial de Realojamento

PS – Partido Socialista

PSD – Partido Social Democrata

RPI – Residence Permit for Investment Activity

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SEF/GEPF – Serviço de Estrangeiros e Fronteiras/ Gabinete de Estudos, Planeamento e Formação

SOIF –School of International Futures

VAT – Value-added tax

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## **1. Introduction**

Housing, a vital requirement for all humans, has emerged as a pressing and multifaceted challenge, particularly affecting younger generations, thereby entailing substantial societal ramifications. Portugal, renowned for its rich history and cultural heritage, is grappling with a complex and urgent housing issue that requires immediate attention and collective efforts. Recent years have witnessed a boom in housing demand (Rodrigues et al., 2023), fuelled by population expansion, urbanisation, tourism, and foreign investment. As a result, the escalation of housing prices has made the aspiration of homeownership hard for many Portuguese citizens, particularly the younger generation.

The current housing model has contributed to the polarisation of spaces and social groups, producing a stigmatising image of locations, mainly affecting immigrants and low- and middle-income families, and increasing the number of homeless people. The first group has seen an increase since 2020, as there were more than 781,000 foreign-born residents in the country, representing around 11.9% of the population, in 2022 (SEF/GEPF, 2023). Concerning the second group, it is important to highlight two different types of data: the at-risk-of-poverty rate of 20.1% in 2022 (Eurostat, 2023) and the average wage of 1 355€ as of March 2023 (INE, 2023), contributing to lower income levels for many households. Lastly, according to the 2021 Census, approximately 3,900 homeless people lived in Portugal. The ramifications of this

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situation extend far beyond individual households, offering significant economic, social, and psychological issues that influence the very core of society.

From an intergenerational standpoint, the housing crisis in Portugal reveals a significant contrast between the expectations and realities of different age groups. Older generations profited from a period in history when housing was more affordable and accessible – the real house prices in 1988 were 115.8 (2015=100) compared to 167 in 2022 (OECD, 2023) - allowing people to establish themselves and build secure lifestyles. Likewise, the proportion of homeowner households without mortgages fell to 57.2% of the total home ownership in 2011, a drop from the 86.1% recorded in 1981 (Xerez et al., 2019).

However, the country's ability to implement efficiency measures that balance supply and demand and stabilise the economy while providing inclusive, adequate, and affordable solutions for all income levels remains challenging (OECD, 2021, Annex 1). The implications of this housing imbalance are numerous. The promise of homeownership, once a sign of stability and security, is progressively fading while generating a generational wealth divide. Furthermore, the lengthy fight to get suitable housing dramatically influences mental health, diminishing hope and damaging individuals' and communities' general well-being (Ade Kearns, 2022). This intergenerational housing dilemma demands a multifaceted and coordinated strategy. Thus, the underlying economic, regulatory, and societal causes that have contributed to the current situation must be addressed.

A framework for assessing Intergenerational Fairness has been developed through collaboration between The Calouste Gulbenkian Foundation (CGF) and The School of International Futures (SOIF). This study applies this framework to evaluate the recent Housing package ("*Pacote*

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*Mais Habitação*"). Thus, the following research question arises: Do the policies outlined in the housing package uphold intergenerational fairness?

The study includes a comprehensive review of existing literature and policies, enhancing the understanding of how these proposed policies might align with intergenerational fairness principles, considering current and future generations.

This report is structured as follows: Section one describes the concept of Intergenerational Fairness, the evolution of homeownership between different generations in Portugal and related social risks. Section two provides a general policy description of the package and describes relevant aspects of historical inequality. Only three of the most relevant policies were chosen from the package, which is why this section also discusses *Pacote Mais Habitação* and the concept of Intergenerational Fairness. Section three extensively evaluates the referred policies: golden visas, increasing housing supply and family support. Furthermore, section four presents the scenario assessment matrix, followed by an analysis that provides suggestions for enhancements and alternative measures more aligned with intergenerational fairness principles.

The initial section of this report encompasses an empirical analysis of the housing landscape in Portugal, employing data derived from the General Population and Housing Censuses conducted during the years 1970, 1981, 1991, 2001, 2011, and 2021. The data is available at the National Institute of Statistics (INE), disaggregated by type of occupied family dwelling, ownership regime of classic family dwellings (including owners with or without purchase charges), age group of family representative, and regions at NUTS II level 2. For the analysis, only family dwellings were considered.

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The final assessment evaluates the *Mais Habitação* package regarding intergenerational justice and usefulness. It finds that the policy probably does not disadvantage people at any stage of life and is expected to decrease inequality over time. However, it recommends further research to confirm these assumptions. A set of recommendations suggests continuous monitoring and data collection over short-, medium-, and long-term timeframes to assess the policy's impacts on intergenerational fairness and housing market stability. The assessment also emphasises the need for stakeholder involvement throughout the evaluation process to gather valuable insights.

## **2. Methodological Note**

### **2.1 Concept of Intergenerational Fairness**

The present generation and policymakers are responsible for addressing current challenges and historical inequities while considering future generations' well-being and needs. In line with this imperative, a collaborative effort was initiated by The Calouste Gulbenkian Foundation (CGF) and The School of International Futures (SOIF) in 2018. This initiative sought to proactively introduce the concept of Intergenerational Fairness into public discourse and political deliberations. The comprehensive methodological tool 'Framework for Intergenerational Fairness' was developed to systematically evaluate public policies according to what is fair and unfair for all generations. Intergenerational inequalities were already assessed across various domains of public policy: Public Finance, Labour Market, Environment, and Housing.

Intergenerational Fairness can be understood as a social contract that promotes the fair distribution of resources among different generations, namely the ones from today and tomorrow (Xavier L. et al., 2023). This commitment to future generations is based on the concept of sustainability, defined in 1987 in the Brundtland report 'Our Common Future' from the United Nations: «Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs» (United Nations, 1987).

The dynamic in home ownership and housing crisis was one of the major changes in Portuguese society in recent decades, impacting society, the economy, and families (Xerez & Fonseca

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2016; Xerez, Rodrigues, & Cardoso 2018; Xerez, Rodrigues, Lima & Cardoso, forthcoming). Therefore, it is important to continue the evaluation process, particularly concerning the most recent Housing package, *Pacote Mais Habitação*, to ensure a comprehensive understanding of the dynamics and impacts within this domain. For instance, housing undersupply might push up rents and house prices. As follows, young people leave the country – this means that the tax base shrinks, pushing up taxes for those who remain and pay the bulk of the taxation collected in this country. This encourages emigration (Morton A., 2014). Analysing the housing package through an intergenerational fairness perspective helps ensure that today's decision-making processes consider future generations' well-being. The tool was designed to remain relevant and applicable over time.

According to the CGF methodology, policies are considered fair to all generations when they allow people of all ages to meet their needs and the needs of the present generation are met without compromising the ability of future generations to meet their own needs. A policy is considered unfair when it increases the chances of inequality being passed on through time and disadvantages of people at any life stage. Yet, the trade-off between generations and cost distribution is a fundamental aspect of intergenerational fairness, highlighting the ethical dilemma that arises when making decisions that affect both current and future generations. It is important to assess whether policies can prevent disadvantages for some groups of people at any period, present or future.

Often, policy decisions that yield immediate benefits to the current generation may come at the expense of higher costs for future generations. Conversely, ensuring the sustainability of social welfare programs and pension systems is crucial to guarantee future generations. In this regard, fairness between generations will ensure that the current generations will assume their

responsibilities and bear the costs for the future ones (Xavier L., Andrade C., Vilar C., Lisbon, 2023).

## 2.2 Methodology

The policy evaluation tool is based on the Framework for Intergenerational Fairness (Annex 2). It consists of five adaptable phases that can be applied to any policy. Within each stage, a series of questions of intergenerational equity are posed in alignment with the specific objectives of that specific step.

1. In the **Diagnostic stage**, crucial policy information is gathered, ways the policy may be unfair are identified, and a timeline of short, medium, and long-term concerns is built, focusing on those necessitating additional analysis.
2. During the **Impact stage**, a thorough examination of the most challenging questions is conducted, utilising both qualitative and quantitative data, expert modelling, or participatory sessions to delve into the ripple effects and unintended consequences on future generations.
3. In the **Scenarios stage**, the assessment is stress-tested against alternative scenarios that describe potential outcomes, ensuring that the recommendations remain resilient in an uncertain environment.
4. **The Process stage** scrutinises how the policy was conceived and implemented. Were intergenerational considerations contemplated? Were diverse perspectives actively sought? Did the process itself contribute to any unfairness?
5. **The Conclusions stage** succinctly summarises the findings and provides recommendations for further communication and action.

### **3. How has homeownership evolved in Portugal between different generations, and what causes this evolution?**

Historical inequality has significantly affected Portugal's housing system. The intense urbanisation process from the 1960s led to a housing shortage in private and public sectors, putting pressure on cities such as Lisbon and Porto. The industry grew in importance over agriculture, and people from rural areas concentrated in industrialised districts, leading to disorganised urban growth, overcrowding, unhealthy housing, and courtyard tenancy ("*ilhas*"). This occurred while the welfare state was still embryonic, focusing on sectors such as education, health, and social security rather than housing (Santos et al., 2014).

Following April 1974, old social groupings and emerging financial capital bolstered Portugal's building sector. The country's integration into the European Economic Community (ECC) strengthened the relationship between real estate and financial capital. This bond, strengthened by credit liberalisation and favourable interest rates, propelled the building sector's GDP influence. Considering this framework, it is to ask how homeownership has evolved in Portugal between different generations and what causes this evolution?

According to Costa Pinto et al. (2019), despite economic challenges and IMF interventions in 1977, 1983, and 2011, Portugal consistently supported a **private homeownership policy** from the mid-1980s to 2002 through fiscal incentives and subsidised credit, resulting in increased homeownership rates. The Portuguese Constitution recognised this as a fundamental principle of housing policy (1976, Art. 65), guaranteeing access to homeownership for all families, regardless of their economic status.

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On the other hand, housing homeownership was encouraged by **cultural factors**, leading to its prevalence over renting. In the Portuguese context, houses serve as both living spaces and financial safety nets for families, aiding in wealth transfer between generations, especially considering the limited housing support provided by the country's Welfare State (Allen, 2004). Likewise, Alves et al. (2015) highlighted that property ownership is highly valued for its potential to increase wealth and provide a safety net for retirement. Renting is often viewed less favourably due to the societal and economic emphasis placed on property ownership, which can perpetuate negative perceptions and stigmas surrounding social housing for low-income families. Finally, homeownership is commonly related to achievement, leading to homeowners' perception as "better citizens and parents" (Pressat, 1985).

Therefore, between 1960 and 2021, the percentage of rental dwellings decreased from 61% to 23%. In contrast, the number of owned dwellings increased by 70% between 1981 and 2001, totalling 2.7 million. Although rental housing has been crucial for historical communities, it has yet to be able to establish a presence in the more developed areas. Over the past century, the percentage of households that own their homes has increased from 49.3% in the 1970s (INE, 1970) to 75.4% in 2001 (INE, 2001) and further to **78.3% in 2022** (INE, 2022a).

An intergenerational perspective can be adopted when analysing the evolution of homeownership in Portugal between different generations and throughout time. Factors such as income, wealth accumulation, and job security can explain generational differences. According to INE (Census from 1970 to 2011), the most significant changes in **homeowner households** were observed in **families aged 24 or less and 25-29 years old**. Between 1970 and 1981, these two groups showed an 85.9% increase in ownership, followed by a 28.9% decrease between 2001 and 2011. Households over 65 years have the highest number of homes

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with no purchase costs, while those between 45 and 64 years have the lowest percentage of households with purchasing fees.

Similarly, Xerez et al. (2019) revealed the differences in homeownership rates among different generations. Table 2 (Annex 3) shows homeownership rates for three census generations (1970-1980, 1991-2001, 2011) among individuals aged 15-29. The shift between the first (1970-1980) and second (1991-2001) generations can be attributed to the liberalisation that occurred between 1981 and 2001, while the decline in homeownership between the second (1991-2001) and third (2011) generations can be attributed to the impact of the 2008 financial crisis on housing access. The study found the proportion of young homeowners aged 15-29 has consistently lower homeownership rates than older ones across all periods.

Additionally, the **proportion of young homeowners with purchase charges** is consistently lower for every generation compared to the overall population. Nevertheless, in 2001, the second generation (1991-2001) displayed a 70.3% higher proportion of young households acting as landlords with purchase charges than owner households with similar charges. On the other hand, in 2011, homeowner families among the third generation (2011) had only an 8.8% higher purchase cost, while homeowner families without purchase charges had a 73% lower difference than previous generations.

According to Xerez et al. (2019), the observed discrepancy between generations in accessing the housing market can be explained by shifts in market conditions over the past decade, namely the 2008 financial crisis. The latter made it more challenging for young people to access the credit market, resulting in a decline in the number of homeowner households in this group. On the other hand, until the 1990s, the legal framework favoured young people's access to

credit, with parents serving as grantors, which justifies the differences among generations. These changes have had a noticeable impact on younger generations, who face different challenges than previous ones.

#### **4. What are the primary social risks and inequalities associated with the current housing accessibility situation?**

Since 2017, the rise in housing prices in Portugal and other countries has widened income disparity since the increase in property prices made it harder to afford to buy or rent homes. Therefore, families started to devote a more significant portion of their earnings to secure housing: the income required to purchase a median-priced home has significantly increased over the past few years. According to (Rodrigues et al., 2023), the upfront money needed for a "down payment" in the Lisbon municipality rose from around €30,000 to €56,000, and it almost doubled from €16,000 to €37,000 in the Porto municipality from 2017 to 2022. These developments not only influence the property market, serving as a crucial source of revenue for real estate investors, but also significantly burden tenants whose rent forms a significant portion of their monthly expenses. Factors like job instability and strict lending requirements have further exacerbated the situation, making access to housing an increasingly challenging endeavour.

Analysing house price trends from 2010 to 2021 reveals a notable upward trajectory, with a pronounced surge starting in 2013, marked by substantial spikes in 2015 and 2021. In contrast to the European Union, where house prices increased by 37% during this period, Portugal experienced a more significant surge of 61.4% (Eurostat, 2023a).

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A consistent uptrend is observed from 2011 to 2021 when considering rental rates. Across the European Union, rents increased by 16%; this increase was more substantial in Portugal, reaching 21.9%. Furthermore, total inflation between 2011 and 2021 saw a rise of 17% in the European Union and a comparatively lower increase of 11.3% in Portugal.

It's worth noting that when we compare real values, the growth in the Portuguese rental market, at 11%, was notably more pronounced than the European Union's decline of -1%. It is important to consider that using 2010 as a starting point for analysis might be challenging due to significant price fluctuations in 2009–2010, rendering that period less suitable for examination.

#### **4.1 Access to housing**

The access to housing is measured through three variables: economic accessibility, size, and housing quality.

Regarding the **economic accessibility of housing or overburden of housing-related expenses**<sup>1</sup>, there were significant changes in several age groups and housing occupancy regimes. According to Eurostat (2021), the overburden increased from 7.6% in 2015 to 28.1% in 2021 for the population over 60 and increased from 9.4% in 2015 to 11.6% in 2021 between 25 and 59 years old in Portugal. Overall, in 2021, the housing cost overburden was 6.6% in cities and 4.5% in rural areas.

These changes can be related to alterations in disposable income and/or housing-related expenses. There is a risk of poverty for those with a disposable income below 60% of the national median income. In Portugal, their housing expenses account for 30.7% of their

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<sup>1</sup> The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40 % of disposable income ('net' of housing allowances). Eurostat (2022)

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disposable income. On the other hand, for those with a disposable income above 60% of the median income, the share amounted to only 11.6%.

Regarding the housing size or **overcrowding**, there has been a general improvement between 2015 and 2021. Overcrowding in households decreased across all occupancy regimes and age groups. For the population between 16 and 29 years, overcrowding declined from 15.7% in 2015 to 15.6% in 2021; as for the population between 25 to 54 years, it fell from 10.3% in 2015 to 10.1% in 2021; moreover, it also declined for the population 55 and over, from 4.2% in 2015 to 3.8% in 2021. Overall, Portugal averaged 1.7 rooms per person in 2021, and the average household size is 2.5 people – 10.6% of the population live in an overcrowded home (Annex, 4).

When it comes to **housing quality or material deprivation of housing**, we measure the ability to keep the house warm, the lack of toilet and shower and the existence of a leaking roof. In 2022, the indicator for the proportion of the resident population living without a bathtub, shower, or toilet inside the dwelling decreased to 0.4% of the general population (0.9% in 2015) and 20.1% of the population at risk of poverty (26.4% in 2015) (Eurostat, 2023). Regarding the type of heating, mobile devices (28.4%) were the most frequently used type of heating in the households, followed by fireplaces (21.7%), central heating (14.0%) and heating appliances (14.4%), and other fixed appliances (5.8%). About 30% of the dwellings did not frequently use any heating types mentioned above.

## **4.2 Factors that condition access to housing**

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Access to housing is influenced by various factors, especially economic accessibility, which is determined by housing-related expenses (such as rent and interest on the principal home loan) and household disposable income<sup>2</sup>.

## **Rents**

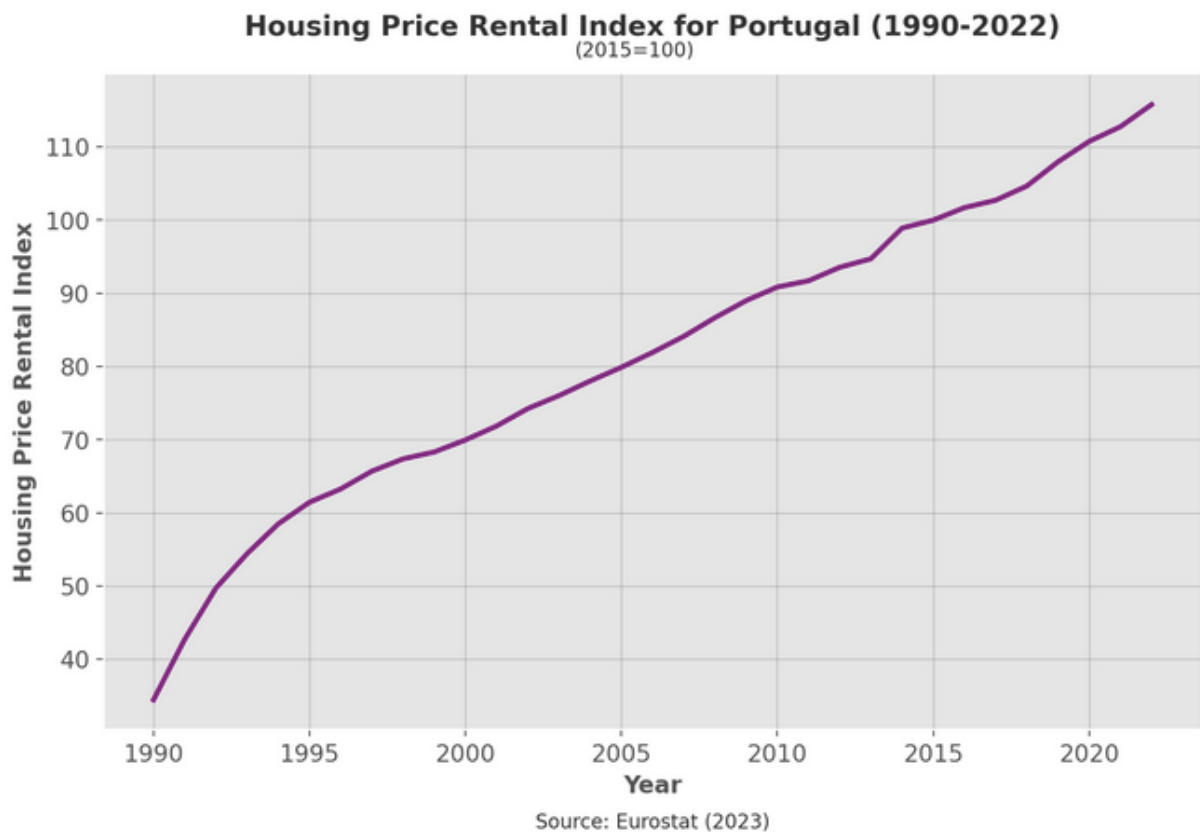
It's worth mentioning that the private rental market and social rental market are two separate entities. There is a notable discrepancy in social housing stock across different countries. Still, Portugal has seen a decrease in investment in social housing, primarily targeting low-income and vulnerable households. According to *Estatísticas da Construção e Habitação (2022)*, only 3.3% of the total housing stock was apportioned to social housing, in contrast to the 7% OECD average (2020). Likewise, in Portugal, the rent levels in the social housing sector are based on income, adjusted to reflect what households can afford to pay, as noted by the OECD (2020).

Conversely, the private rental market holds a more significant 20% share and is categorised into two contract generations. The first-generation rent regulation is made of a specific group of older contracts with indefinite terms, heavily regulated. These contracts have kept rents at very low levels. As of 2011, these older contracts still comprised 35% of all private rental contracts in Portugal, and 15% of all rented accommodations still had rents at or below 35 euros per month. In contrast, the second generation of contracts, established after 1991, has less regulation and higher rents. This has resulted in challenges for landlords who need to update rent rates and renew contracts, as Alves et al. (2015) discussed.

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<sup>2</sup> Disposable income refers to the amount of money an individual or household has available for spending or saving after taxes and essential living expenses such as housing, food, and transportation have been deducted.

The Housing Price Rental Index for Portugal 3 (Figure 1) shows that rent prices have steadily increased since the 1990s. However, in the past decade, the increase has been more significant.



*Figure 1 – Eurostat & author's calculations*

In 2022, the median rent of the 92 664 new leases for family housing in Portugal reached 6.52 €/m<sup>2</sup>, increasing by 7.9% year-on-year. There was also a 6.1% increase in new contracts signed over the previous year.

Rents were above the national figure in the sub-regions Lisbon Metropolitan Area (9.86 €/m<sup>2</sup>), Algarve (7.47 €/m<sup>2</sup>), Madeira Autonomous Region (7.35 €/m<sup>2</sup>) and Porto Metropolitan Area (7.14 €/m<sup>2</sup>). Over a third of new rental agreements (31,123) were focused on the Lisbon Metropolitan Area. The metropolitan areas of Lisbon and Porto represented just over half

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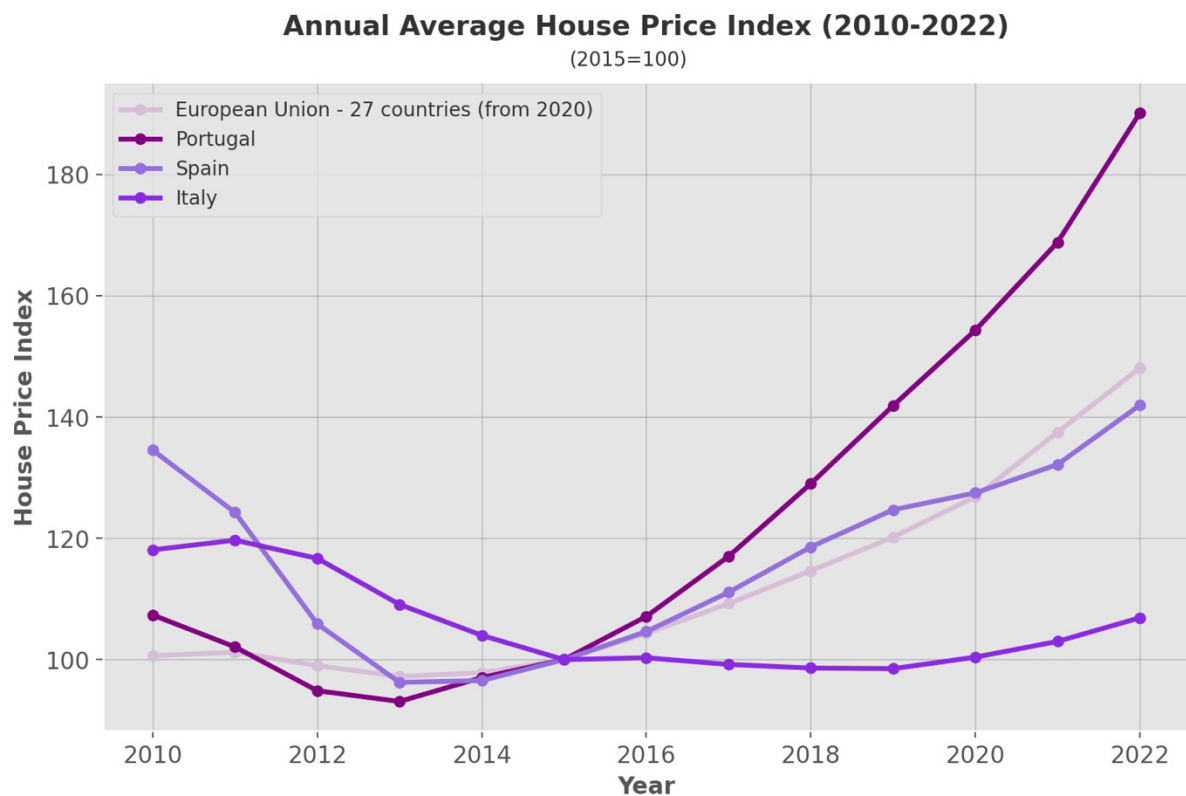
(50.8%) of the nation's total new rental contracts (Estatísticas da Construção e Habitação, 2022).

The State has responded to rising rental costs by enacting a complex strategy to reduce speculation, increase housing affordability, and safeguard renters. Measures include limiting the issuing of "golden visas" for real estate ventures and implementing rental price stabilisation measures. Financial aid programs have been formed to assist families with leasing and mortgage loans, including capital gains tax deductions and fixed mortgage rates. Strategies for promoting inexpensive rentals include municipal sponsorship of forced building and rewarding the shift of properties from *Alojamento Local* (AL) to conventional renting. Furthermore, the proposed implementation of compulsory leasing for unoccupied houses and using consumption data to detect vacant buildings aim to alleviate housing supply difficulties.

Tax breaks, such as lower VAT rates, exemptions from property taxes, and stamp duty exemptions for low-cost rental units, are established. The government intends to use this comprehensive framework to combat speculation, protect renters' rights, and promote housing affordability, ultimately establishing a more stable and accessible rental market for low-income households.

## **Housing Prices**

Housing prices in Portugal have been steadily rising since 2015. Over the past few years, Portugal's growth rate has surpassed the European Union's average, a trend reflected in the House Price Index (HPI) and neighbouring countries such as Spain and Italy (Figure 2). The HPI measures inflation in the residential property market by capturing price changes of all types of dwellings purchased by households (Eurostat, 2023a).



*Figure 2 – Eurostat & author’s calculations*

According to INE (2023a), in the first trimester of 2023, the median price of residential accommodation transacted in Portugal was 1 565€/m<sup>2</sup>, having increased by 4.3% compared to the 4<sup>th</sup> quarter of 2022. The median house price remained above the national value in the sub-regions of Algarve (2 609 €/m<sup>2</sup>), Lisbon Metropolitan Area (2 288 €/m<sup>2</sup>), Porto Metropolitan Area (1 728 €/m<sup>2</sup>) and Madeira Autonomous Region (1 697 €/m<sup>2</sup>).

Moreover, notable disparities in the median valuation of residential properties emerged based on the tax residency status of buyers. Transactions involving buyers with tax residence abroad yielded a median value of 2,411 €/m<sup>2</sup>, reflecting an increase from the preceding trimester’s 2,239 €/m<sup>2</sup> valuation. Similarly, transactions facilitated by buyers with tax residence within the

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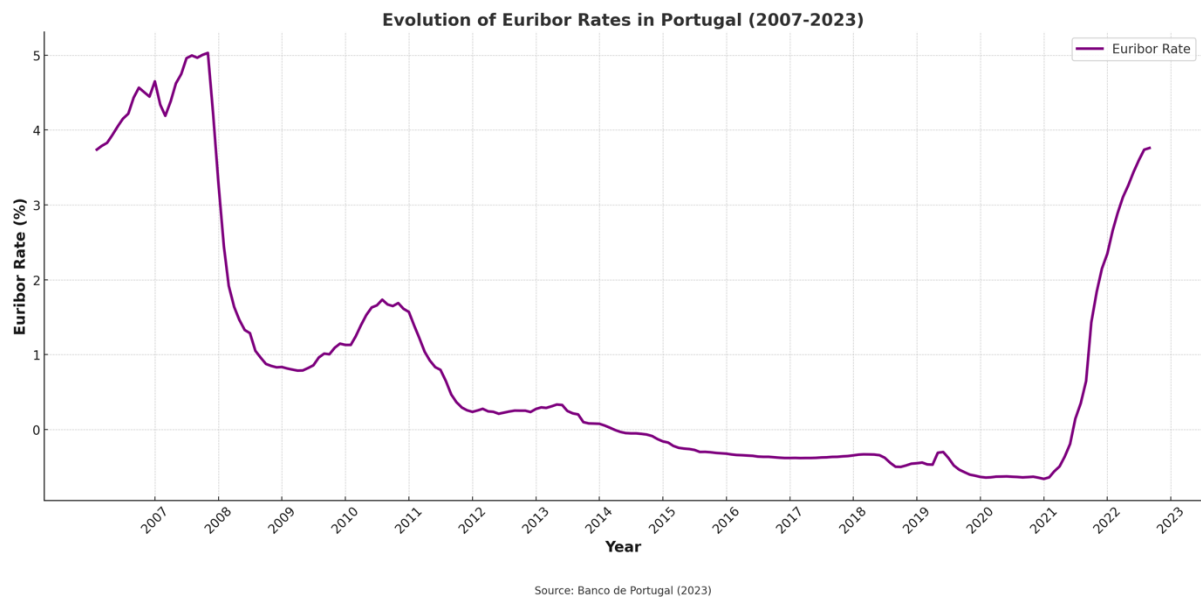
national territory exhibited a median value of 1,524 €/m<sup>2</sup>, representing an upward trajectory from the fourth trimester of 2022's value of 1,467 €/m<sup>2</sup>.

This trend was consistently mirrored in the three prominent sub-regions renowned for their elevated median house prices: Algarve, Lisbon Metropolitan Area, and Porto Metropolitan Area. Notably, these regions reported the highest valuation levels across both categories of buyer tax residency. For transactions within the national territory, median prices reached 2,450 €/m<sup>2</sup>, 2,251 €/m<sup>2</sup>, and 1,701 €/m<sup>2</sup>, respectively. In the foreign buyer category, these sub-regions reported median values of 3,003 €/m<sup>2</sup>, 3,832 €/m<sup>2</sup>, and 2,923 €/m<sup>2</sup> (INE, 2023).

## **Loans**

Homeowners' housing-related expenditures can become unmanageable due to interest rate increases, such as those experienced in 2008. Conversely, when the interest rate declines, as it did between 2009 and 2010 and again from 2011 to 2017, the burden tends to decrease, assuming household income remains unchanged.

When interest rates are low, such as in 2017, there is increased competition among banks, which leads to less restrictive loan policies. According to *Banco de Portugal* (2017), this is aided by rising house prices. Consequently, more individuals tend to obtain home loans when interest rates fall. Likewise, it is important to consider fixed versus variable rates when evaluating loans, as fixed rates provide stability and predictability for the borrower. Simultaneously, variable rates depend on EURIBOR rates and reference rates that experience constant fluctuations.



*Figure 3 – Banco de Portugal & author's calculations*

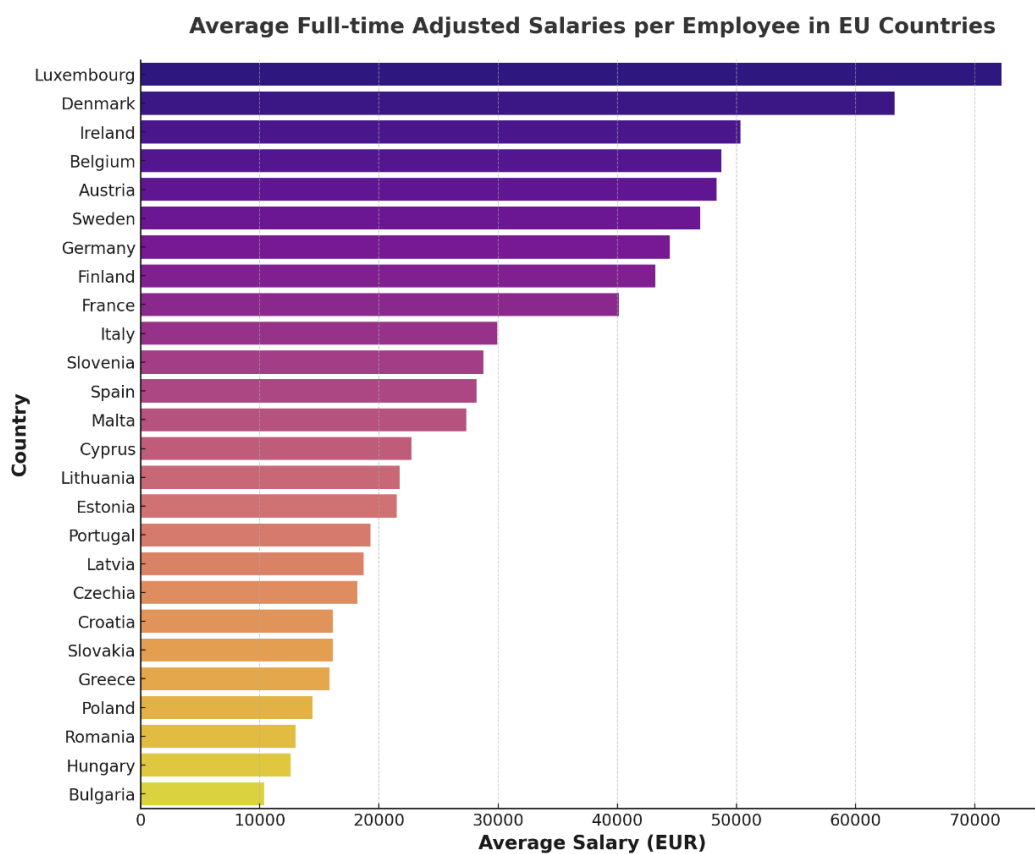
## Income

Household income fluctuates due to macroeconomic changes. As such, families are especially susceptible during times of crisis since their income is not always sufficient to support household needs. A decrease in income may exacerbate the strain of housing-related costs, which are rigid and difficult to reduce on short notice.

As mentioned before, one consequence of rising housing prices is decreased accessibility to the market, requiring families to allocate a larger portion of their income to housing expenses, representing a clear increase in the overburden rates. As of 2022, a household of two working individuals has seen income requirements increase substantially from 2017 to 2022 to comply with the banking rule of allocating a maximum of 40% of their income to housing costs (Rodrigues et al., 2023)

To purchase a home in the most affordable neighbourhoods of Lisbon or Porto priced at the median rate, two working individuals must earn at least the 60th percentile income for the

corresponding area. However, this can be arduous given the comparatively low average salaries in Portugal, as depicted in Figure 4. In contrast, it was feasible for a household in the 40th percentile in Lisbon or the 20th percentile in Porto to acquire such homes in 2017. In addition to this requirement, an initial capital needs to be given as a "down payment", even when the bank valuation aligns with the transaction value. The median household's down payment has risen from approximately €30,000 to €56,000 in the municipality of Lisbon and from roughly €16,000 to €37,000 in the municipality of Porto between 2017 and 2022 (Estatísticas de Construção e Habitação, 2022).



Source: Eurostat

*Figure 4 – Eurostat & author's calculations*

## 5. Scenarios

The *Mais Habitação* package was implemented during a period characterised by the economic turmoil caused by the aftermath of the COVID-19 pandemic and the war in Ukraine. The latter has exacerbated the overall inflation rates in Portugal, reaching 5.7% in 2023, expected to decline to 3.3% in 2024 and 2.1% in 2025, still influencing the overall purchasing power and consumption growth (Banco de Portugal, 2023 c). According to Banco de Portugal (2023 c), the Portuguese economy is expected to grow by 2.7% in 2023, 2.4% in 2024 and 2.3% in 2025. After recovering from the pandemic shock, GDP stood at 5.4% above its 2019 level at the beginning of 2023. GDP growth remains robust and above that of the euro area over the horizon.

Regarding the housing market, the prices have been increasing exponentially in the past years. The lowest unemployment rates in a decade, decreased family savings, rising interest and loan rates, extensive foreign investment, inflation, and increased construction costs translate into decreased purchasing power. Consequentially, the scenario does not seem hopeful as the housing demand remains high, both from foreigners and nationals, due to the population increase in the Lisbon metropolitan area by 1.7% since 2011 (Rodrigues, 2023), thereby affecting the housing supply and prices.

Therefore, the most probable outcome is a **neutral** one that aligns with the existing government policies limiting progress. The housing market appears to remain unchanged, even with the implementation of the *Mais Habitação* package. Consequently, exploring other solutions to tackle the persistent challenges facing the housing market would be advantageous.

We consider two additional scenarios when evaluating the impact of unchanged interest rates, housing and rent prices on individual purchasing power and housing supply. Firstly, a **positive**

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one would be akin to the 90s decade, when the housing market experienced significant growth, correlated to increased households' purchasing power and urbanization. Secondly, a **negative** one parallels the period from 2008 to 2013, characterised by market stagnation accompanied by climbing unemployment rates and decreased purchasing power, with no government support or intervention.

	<b>Positive</b>	<b>Neutral</b>	<b>Negative</b>
<b>General scenario summary</b>	The housing market experiences a shift, with additional growth in accessible public and private housing, and a general decline in prices over time, effectively meeting demand.	The housing market remains stagnated, while the government maintains the present policies, with limited progress in addressing affordability and social inequality.	The housing market continues to experience a crisis, as public housing growth stagnates and prices keep soaring, making it unaffordable and inaccessible for younger generations, worsening social inequality. There is no government intervention.
<b>Intergenerational fairness</b>	The aggregate well-being of all generations is increased. Costs are distributed fairly among the current generation.	The aggregate well-being of all generations is decreased. The following generation inherits low purchasing power and high prices and experiences difficulties in homeownership.	The aggregate well-being of all generations is decreased. Costs are distributed unfair mostly among future generations.
<b>Family Support</b>	Families witness an enhancement in their financial stability and security, bolstering the overall neighbourhoods' stability.	The rent support subsidies may provide benefits to low and medium-income families in short-term, but still the general effects remain limited.	Subsidies may reduce private developers' incentives to invest in housing, thus impacting the housing supply. Moreover, the effect of capital tax exemption is modest over the long run.
<b>Housing Supply</b>	The number of houses available in the market is increased, while the conversion process is simplified. Additionally, modular housing projects reduce timelines for	The rate of commissioning of new housing on the market and prices remains the same, reaching stagnation.	The process of land use transformation slows down new construction. The number of houses available on the market decreases since the limited supply makes prices increase.

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	construction. Clear increase of social and affordable housing.		
<b>Golden Visa</b>	Price dynamics curb as higher pressure on supply in the countries' most populous regions is eased by dampened speculation, with affordability and access made easier for Portuguese homebuyers.	Supply readjusts to the lost demand created by the revocation of golden visas, consequently contributing to a slight stabilization of prices, but with no significant contribution to their decrease, meaning prices are still incompatible with average national earnings. The government successfully absorbs the lost revenue stream.	The impact of golden visas on housing prices and speculation was overestimated by the government, the housing market continues to inflate, and the government loses a vital revenue stream as foreign investment in the country halts and collected tax revenues decrease, redirecting this burden of lost revenue on taxpayers, increasing social tensions.

*Table 11 - Scenario Assessment Matrix*

## **Collect Information From The Other Evaluation Steps**

*Summarise the information from the previous stages, including the policy context, sources, and methodology.*

The "*Mais Habitação*" housing package, introduced in February 2023 and approved by the Portuguese Parliament the same year, represents a significant shift in housing policy in the country. The package aims to address various challenges within the housing sector, particularly in response to the increasing demand for housing in cities like Lisbon and Porto and the resulting affordability issues. Attempts to implement new policies signal the government's intention to address housing-related concerns. The package includes measures to increase housing supply, simplify licensing processes<sup>3</sup>, combat speculation, support families, and introduce new housing policies to improve housing affordability and accessibility. While time constraints limit a comprehensive intergenerational evaluation of all policies in the package, the analysis is focused on three key policies while recognising the importance of others in the Portuguese context.

This policy shift follows a historical trend where other priorities, such as healthcare, social security, and education, often overshadowed housing policies. However, implementing the "*Lei de bases da Habitação*" in 2019 laid the groundwork for recognising housing as a universal right and emphasised the government's role in ensuring its affordability and adequacy. Recent external factors, including increased housing demand, particularly from foreigners and tourists, as well as the impact of the COVID-19 pandemic on housing prices and affordability, have contributed to the need for comprehensive housing policy reform in Portugal. The "*Mais Habitação*" package aims to address these challenges and promote a more stable and accessible housing market.

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<sup>3</sup> This draft law was later withdrawn from the '*Mais Habitação*' package, becoming ineffective.

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The housing crisis in Portugal highlights the contrasting housing experiences of different generations. Older generations benefited from a time when housing was more affordable and accessible, with real house prices significantly lower in the past. Homeownership rates without mortgages have also declined over the years. However, addressing the current housing challenge in Portugal, which includes balancing supply and demand while providing inclusive, affordable solutions, remains complex. This imbalance has led to a generational wealth divide, adversely affecting mental health and overall well-being. A multifaceted approach is needed to address this intergenerational housing dilemma, tackling economic, regulatory, and societal factors contributing to the situation. To answer whether the policies outlined in the "*Pacote Mais Habitação*" uphold the intergenerational fairness framework developed by CGF and The School of International Futures (SOIF) was applied.

As the package is now in the implementation phase, the Diagnostic phase relied on established scientific literature as a foundation of evidence to assess potential impacts on certain human domains. This process involves an examination of existing literature and policies, which helped to understand how these proposed policies align with principles of intergenerational fairness. The Impact stage involves a comprehensive analysis using qualitative data, followed by an assessment of alternative scenarios in the Scenarios stage, evaluating the policy's conception and implementation in the Process stage.

### **Time Horizon**

In our assessment, we consider the following time horizons:

**Short term:** Less than 5 years

**Mid-term:** 5 to 15 years

**Long-term:** More than 15 years

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### **Counterfactual**

As the study evaluates three specific policy of the *Mais Habitação* package, a counterfactual is proposed as follow:

- Countries that have kept the Golden visa policy (e.g.: Greece).
- Lands, buildings, private entities, companies, and individuals are not affected by the 'Increasing Housing Supply' policy.
- Families and property owners who are not eligible for the 'Family Support Policy' and therefore must pay capital gains tax will not receive rent support subsidies. They will bear the full cost themselves, while those whose monthly rent represents an effort rate higher than 35% will be eligible for the subsidies.

## 6. Recommendations

Recommendations for Mais Habitação's package are presented to conclude the assessment, summarizing relevant international cases – Denmark, France, Germany - and providing arguments from an intergenerational perspective for further communication.

Suggested measures include establishing the required social housing quota and other types of subsidies, providing new forms of social housing structures, converting the golden visa program, and focusing on repairing abandoned dwellings.

### 1. Social housing quota (e.g., 30%)

A social housing quota helps to increase affordable housing and ensure socially mixed city districts. By mandating a fixed percentage of subsidized housing units within residential developments, the negative impacts of higher housing rent for low-income groups can be prevented. This approach not only addresses the affordability crisis but also nurtures inclusive communities.

An example of this practice can be found in Germany's Cooperative Urban Land Development (CULD) system. Under this system, when public planning and development measures are implemented in an area, it is expected that these actions will lead to an increase in the value of the land in that location. The idea behind the CULD system is to capture a portion or the entirety of this increased land value and use it to fund the costs associated with the development and infrastructure projects in that area (Koetter T., Kumar S., Weiss D., 2021).

A parallel example can be observed in the United States through Inclusionary Zoning (IZ). This measure requires developers to set aside a proportion of units in market-rate residential developments to be affordable for lower-income households in exchange for development rights or zoning variances (Schwartz H., Ecola L.; Leuschner K., Kofner A., 2012).

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Similarly, in France, the *Loi Solidarité et Renouvellement Urbain* (SRU Law) has been enacted to promote more inclusive and affordable housing. It requires selected municipalities to devote 25% of their local stock to social housing by 2025 (Maaoui, 2021). The introduction of a national fee for non-compliant towns and the dominant land use ideology, ranging from pro-social housing to exclusionary practices, impact trends in social housing creation. Moreover, the SRU law has effectively achieved greater equity in the distribution of affordable housing by ensuring a more balanced allocation of subsidised units among different municipalities. As such, it strongly holds local governments responsible for creating affordable housing. Leaders must find ways to construct new affordable units to meet the 25 per cent goal, even by leveraging the housing authorities they oversee. Failure to do so may result in the national government using eminent domain to acquire land for affordable housing and imposing significant fines that could limit the local government's ability to invest in other projects.

Beyond its immediate benefits, implementing a social housing quota holds profound implications for intergenerational fairness. It provides the social infrastructure new residents require while ensuring an adequate supply of affordable housing. It may promote spatial justice in urban space development. It also makes high-income communities more accessible to low- and moderate-income people, reducing the density of areas where low-income families are concentrated (Freemark, 2021). It distributes the essential resource of housing more equitably, considering the needs of both present and future generations.

### 2. **Other types of subsidies**

The introduction of subsidies can alleviate the socioeconomic burden of households struggling in the housing market, providing them with safe and adequate housing options. A concrete illustration of this principle can be seen through the Vienna housing allowance, commonly referred to as "*Wohnbeihilfe*", targeting low-income groups, already benefits approximately

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170,000 households (“Housing Policies in the EU” 2021). The program is strategically designed to extend financial assistance to individuals who call Vienna their primary residence, assuaging the burden of housing costs (“Wohnbeihilfe - Antrag,” 2018). Through this mechanism, the Vienna housing allowance underscores the commitment to equitable living standards, ensuring that vulnerable members of the community are not deprived of safe and habitable housing options. For example for a one-person household (32.84 square metres) with main rent plus operating costs and VAT (254 euros), the housing allowance is 83,41 euros, and the fixed basic amount for housing needs – is 244.48 Euros. In this case necessary housing allowance – is the reduction of 73,89 Euro (“Wohnbeihilfe - Antrag,” 2018).

In parallel, the Flemish rent subsidy is another example of how subsidies can drive positive housing outcomes. Housing benefits aid low-income individuals in relocating from inadequate housing to more suitable accommodations, including rental properties provided by social rental organisations. In 2017, the housing subsidy reached 5,281 new beneficiaries, contributing to 15,561 recipients (“Housing Policies in the EU” 2021). The value of the subsidy for 2023 will be of 177.24 euros per person, while in some municipalities will reach 194.96 euros per person.

Importantly, these subsidies address intergenerational fairness by targeting specific social groups to enhance their quality of life and potential long-term stability. A comprehensive strategy that concentrates on both demand-side support (subsidies) and supply-side measures can effectively address the housing requirements of different generations. Nonetheless, the distribution of subsidies may impact differently the various generations, generating potential trades and imbalances among generations. It also relies on the fairness of cost distribution.

### 3. Social Housing Structures

The following set of recommendations addresses various types of social housing structures and seeks to offer practical solutions that can effectively enhance access to decent and affordable housing for individuals and families from different socio-economic backgrounds.

A possible solution could be the introduction of cooperative housing structures. This type of housing project encourages the development of housing structures that bring together residents from different age groups by incorporating different kinds of dwellings and features for all ages. The generational dialogue in the planning phase is important, involving the different generations to hear about their needs in this phase.

An example of this concept in action is the Co-Ops, or "*Genossenschaft*" model, prevalent in Austria. Within this framework, residents collaboratively manage their housing units, resulting in more stable living conditions and reduced monthly rents supported by government-backed public financing. In this arrangement, individuals do not assume legal ownership of their units. Instead, they initially commit to a lump sum payment, which is subsequently reimbursed upon deciding to vacate the premises.

The *Colli Latini* initiative in Italy provides another compelling example of creative housing solutions that foster intergenerational fairness. This approach allows residents to unite and establish a cooperative, enabling them to construct their homes on public land and repay the mortgage through labour contributions. This innovative strategy serves multiple purposes: marginalised individuals are allowed to revitalise disused or abandoned structures, fostering community engagement and revitalisation. Additionally, this approach opens doors for residents to purchase or rent housing at a lower rate, further ensuring equitable access to housing options.

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Moreover, these approaches to housing are fair across generations as they enable the creation of housing spaces that cater to the needs of all age groups. Cooperative housing projects excel in promoting the inclusion of individuals from different generations in the decision-making process, ensuring that the housing environment reflects the diverse requirements of its residents. Additionally, the equitable distribution of financial responsibilities among individuals of varying age groups contributes to a fairer allocation of resources and costs, ensuring that the burden is shared fairly and minimising disparities across generations.

Another important alternative could be the introduction of **SMART** housing projects. This type of housing incorporates modern technologies and sustainable design principles to create more efficient space. This measure could benefit low-income households and vulnerable communities, creating a more inclusive environment. Moreover, the benefits from this measure extend beyond immediate occupants. By incorporating technologies that optimise energy consumption, reduce waste, and enhance resource allocation, SMART Housing projects can lead to lower utility bills and operating costs now and in the future.

Initiatives like *Podhagskygasse* in Vienna can be a good example. There is a distinct emphasis on reimagining the residential market and housing design to offer affordable spaces and amenities to various segments of society. This project addresses the housing needs of different age groups and tailors services to match specific community necessities, effectively benefiting young individuals and seniors. By offering such adaptable living spaces, this project ensures that residents can comfortably transition through various life stages while maintaining financial stability (IBA Vienna, 2023).

Integrating smart technologies into housing design fosters intergenerational fairness by strengthening communal ties. Incorporating universal design principles, such as step-free entries, ensures homes are accessible to individuals of all ages and abilities. Although adopting

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smart technologies in housing may entail higher costs than traditional construction methods, the long-term advantages and potential cost savings make it a more effective and fairer alternative. Lastly, programs such as non-profit housing could be introduced to advance fairness and accessibility even further.

Particularly, *Almennyttig*, the Danish non-profit sector, is a well-known example for maintaining independence and strong ties to both municipal and central government. The industry is heavily governed by central government policies and directives, such as waiting lists, democracy, and others. Additionally, it has been utilised as an economic regulator and promoter of high-quality housing: modern facilities, roomy apartments, and good upkeep (Thor, H et Al, 2019).

The basis of non-profit business is financial; the sector covers the building, operating and maintenance costs for contemporary and well-maintained housing but does not capture any profits. This is a cost-related concept, as opposed to a market principle, in which rents are determined by demand and supply. Non-profit housing is mostly financed by market-rate mortgages, which cover 88% of building expenses, the local government 10 % and tenant deposits 2 %. This system constitutes a significant portion of the housing market, accounting for 20% of total housing and about 50% of rental properties (Alves. et. Al, 2015).

This system provides universal access to housing and promotes tenant democracy, allowing anyone to apply regardless of their income. Allocations are mainly based on the amount of time spent on the waiting list, which benefits younger people who can secure future housing. The system ensures financial sustainability and quality control, making it an attractive option for people of different income groups despite the growing social segregation and affordability challenges in some areas.

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On the other hand, Portuguese social housing is restricted mainly to low-income families, making up a minor portion (3%) of the total housing stock. It has high levels of segregation, stigmatisation, and variable quality, particularly for new constructions. This system challenges intergenerational fairness as it is more difficult for younger or lower-income individuals to access quality housing. The segmentation of the housing market also increases social and spatial segregation, exacerbating social exclusion and polarisation.

### **4. Conversion of the RPI program: Visa for Affordable Housing**

When analysing the RPIs, there are two competing views. On the one hand, the policy has generated significant economic benefits over the past 11 years, resulting in 6.118 billion euros in real estate investment. On the other hand, some argue that the policy has had a minor impact on the housing supply, with only 0.76% of houses sold during the policy's lifetime being for golden visas. However, the program had little to no impact on job creation, with only 280 jobs created in 11 years. Furthermore, according to a 2018 Transparency International report, it was highly permeable to corruption and money laundering. Simultaneously, its impact on housing supply and prices was not proportional geographically –Lisbon, Algarve, and Porto experienced higher weight. Policy outcomes are hard to evaluate, but highly likely that the weight of golden visas on prices and speculation is overestimated.

It is economically crucial to retain foreign investment and investors within the country. However, is essential to diversify investments, making its return more palpably useful in leveraging well-being in the country, specifically in the housing sector, for the sake of social perception and intergenerational fairness. Thus, a potentially interesting policy alternative could be awarding golden visas through investment in government-approved affordable housing projects in areas where the market is most pressured. This policy is a sound alternative to golden visas from an intergenerational perspective in many ways.

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On the one hand, it considers social needs and balances out the distribution of the economic benefits of golden visas by promoting affordability and accessibility to middle-to-low-income groups and trickling down the financial benefits it brings, instead of concentrating them to a small group of businesses and individuals. On the other hand, this program could significantly tackle speculation by reducing the potential for speculative real estate investment by foreign investors. Simultaneously, the long-lasting effects of affordable housing make it a policy that benefits multiple generations, bringing stability and predictability to those affected by it, whilst also promoting the attraction of responsible investors, aligning the personal benefit of the investor with the community's needs. Its success would, however, obviously rely on careful planning and policy design, transparent regulations, and monitoring. It is important to note that, as far as we've seen, this is an untested policy, which carries obvious risks in implementation that need to be safeguarded by policymakers.

### **5. Repairing the abandoned dwellings**

In Lisbon, around 15% of all city houses, or 25,999 structures, are empty (Estatísticas da Construção e Habitação, 2022). These disused homes, which are sometimes ignored for long periods, require renovation. This condition may allow investors who wish to buy and remodel a portion of these properties. Some of these homes might be converted into hotels after rehabilitation to alleviate the strain on local lodging facilities caused by tourist stays. A distinct percentage might be transformed into social housing, with contributions to a national fund covering the costs. In exchange for a resident permit and tax breaks on rental revenue, investors might be provided with the opportunity to buy, restore, and then rent out these houses at a rental price cap specified by the government.

## 7. Summarize the Impacts

### Short Term

The fast escalation of housing prices has emerged as a significant concern, correlating with adverse effects on the mental well-being of residents. In this context, introducing measures to curtail housing price surges provides immediate relief, particularly for individuals grappling with potential mental **health** issues and **financial** constraints.

Additionally, reducing housing costs offers families immediate financial respite and improves access to affordable and high-quality housing. This, in turn, alleviates the burden on households and allows for increased investments in health and education.

However, it is crucial to exercise caution with housing supply expansion, as excessive construction in the short term can adversely impact specific demographic groups exposed to heightened levels of noise, dust, and stress. Nonetheless, mitigating housing overburden ultimately leads to higher investments in **education**, thereby enhancing opportunities for children's development. Furthermore, an augmented housing supply addresses housing overburden and facilitates greater job flexibility and mobility, fostering economic and social well-being.

To bolster economic growth, it is worth noting that reducing capital gains tax on investments has been shown to stimulate **employment** expansion. In contrast, capital tax exemptions have the potential to stimulate home **sales rates**. These fiscal incentives can significantly impact the housing market and broader economic dynamics.

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### Medium Term

Firstly, gentrification linked to golden visa programs has negative **health** implications for displaced individuals. Therefore, restricting the issuance of new golden visas effectively curtails gentrification and subsequent displacements, thereby mitigating health disparities.

Secondly, by addressing housing price increases, households can alleviate credit constraints, thereby freeing up financial resources for investments in children's **education**. Moreover, halting the relentless rise of housing prices offers substantial relief to household finances, as mounting housing expenses often result in reduced spending on essential goods such as education and food. Affordable and higher-quality housing options reduce the likelihood of relocation and enhance children's educational performance.

Thirdly, partnerships with private construction firms facilitate the introduction of new housing units in various neighbourhoods, bolstering household **income** and **job** stability. It is important to note that housing quality, accessibility, and neighbourhood environments significantly influence fertility and marriage rates.

### Long Term

In the short to medium term, the anticipated effects are poised to solidify, contributing to an overall enhancement of public **health**. Notably, promoting housing stability has a positive impact on children's academic performance. A pivotal strategy in achieving housing stability is ensuring predictability in housing prices, a challenge exacerbated by the speculative influence of golden visas.

A significant role in addressing **income** inequality is played by reducing housing costs. The relentless escalation of housing prices exerts undue pressure on household incomes, serving as

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a critical factor delineating high, middle, and low-income groups through considerations of affordability and accessibility. Consequently, this dynamic fosters inequality and ensuing social tensions.

Mitigating this pressure on housing prices, chiefly through discontinuing golden visas, can bolster affordability and reduce inequality over the long term. This effect extends to younger adults who transition from their parental homes earlier when housing becomes more abundant and affordable.

The research underscores improved housing conditions' positive ramifications on physical and mental health. Housing subsidies further facilitate upward mobility by enabling families to relocate to more favourable neighbourhoods, positively impacting future **income** and **employment** prospects.

Over a longer time, capital tax exemptions exhibit modest effects on homeowner income, indicating that many homeowners swiftly capitalised on the newly available exclusions. Moreover, studies substantiate the positive correlation between **safety** and perceived safety, with implications dependent on the neighbourhood of residence.

## **8. Final Assessment**

### **13.1 Intergenerational Justice Questions**

It is critical to evaluate if policies can avert disadvantages for certain groups of individuals at any time, present or future. Underlining the ethical quandary that comes when making decisions that affect at the same time more than one generation and the distribution of its costs. Recalling the CGF, then, a policy is considered fair to any generation when needs and demands are met for any individual without jeopardising future generations' ability to meet their own needs.

#### **8.1.1 Does it disadvantage people at some stage of their life?**

**Probably not.**

Upon analysing the policy and its identified impacts, individuals at every stage of life either benefit or experience an improvement in their condition. Nonetheless, no specific impact was found for certain groups of people based on the analysis and the literature. Thus, the policy package can be considered fair from an intergenerational perspective when evaluating the policy and assessing its impact on different age groups. Furthermore, it is expected to decrease inequality over time.

#### **8.1.2 Does it disadvantage people at any time, present or future?**

**Probably not.**

After identifying the policy impacts for each domain over time, when looking at the impacts from a short-, medium-, and long-term perspective, inequality is expected to decrease over time, based on the positive scenario outcomes. Based on the analysis and the literature review, the expected outcome of the policy at any time is either to improve the conditions or to

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advantage the population. Thus, when considering the different time frames, the policy is fair from an intergenerational point of view.

### **13.1.3 Does it increase the likelihood that inequality will be transmitted over time?**

**Probably not.**

These policies are expected to decrease the inequality that is transmitted over time. As mentioned, all policies considered individuals encompassing different generations, focusing on the younger generation. However, it is still premature to make these assumptions given the recent implementation of these policies. Therefore, further research is necessary to conduct a more comprehensive investigation.

### **13.1.4 Does it restrict the choices of future generations?**

**Probably not.**

## **13.2 Utility Questions**

### **Is the policy useful? Does it allow the stated objectives to be achieved?**

Probably not

Despite implementing the *Mais Habitação* package, the housing market is expected to remain unchanged, with the further impact of unchanged interest rates, housing and rent prices on individual purchasing power and housing supply. Moreover, Portugal's housing issue is structural, extending beyond the package's scope. As a result, this measure alone is insufficient to ensure the housing market's future sustainability. Therefore, we recommend exploring additional measures to address this issue.

### **13.3 Develop a follow-up plan:**

Should this assessment be revised in the future?

To thoroughly evaluate *Mais Habitação's* potential in revamping and restoring intergenerational fairness to the Portuguese housing market, it is essential to establish continuous monitoring and assessment over the various relevant timeframes and to adapt said assessment as conditions evolve. In that sense, we believe the policy should be monitored throughout all three temporal horizons – short-term, medium-term, and long-term – and that this monitoring should be adjusted to the expected impacts of the policy in each of these contexts.

It is vital that, to this end, data collection be a continuous part of this assessment, as it will not only help create a comprehensive picture of the policy's impacts but also, through regular analysis and updating, be a key tool for policymakers to make informed decisions on necessary changes to the package throughout time. That being said, data on housing market trends (homeownership rates; housing prices and trends over time; rental rates and trends; housing supply and demand data; data on housing construction, including the types and sizes of properties), affordability and accessibility (housing cost as a percentage of income (average effort rate); availability of affordable housing units; waiting lists for affordable housing programs); mortgages rates and financing data (average mortgage interest rates; mortgage approval rates; foreclosure and mortgage delinquency rates); and economic data (household consumption, income distribution, household savings); are some vital indicators that need to be kept track of throughout the implementation period. Additionally, this data must be disaggregated by demographic factors, namely age, to successfully capture generational disparities.

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### **Short term**

In the short term, the impacts of the policy might still be limited, as other time horizons might best portray significant long-standing trends and market shifts *Mais Habitação* could have enticed, which in turn better inform the intergenerational justice of its outcomes. However, it is vital to understand all immediate impacts, and, in that sense, two questions should guide this first assessment stage:

- Has the policy improved access to affordable housing for young adults and families in the short term?
- How has the housing market reacted to the policy regarding prices, rental rates, and housing availability for different generations?

This second question should be present in all stages of assessment.

### **Medium term**

In the medium term, the policy will have had time to settle and its outcomes time to consolidate and unveil significant market and societal shifts. In that sense, some more general questions might be of order, as a deeper assessment will give a more comprehensive understanding of the consequences of *Mais Habitação*:

- Has the policy contributed to long-term housing market stability, reducing volatility in housing prices and rents?
- Is the policy effective in ensuring affordable housing for younger generations, or are there signs of increasing challenges?
- What are the trends in wealth accumulation among different generations due to the policy? Are there noticeable shifts in generational wealth distribution?
- Have housing conditions improved for all generations regarding quality, safety, and amenities?

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Policymakers must reflect on these questions and adjust the policy accordingly.

### Long term

Finally, at this stage of the assessment, a balance must be made on the policy package in the form of a comprehensive evaluation. This will allow policymakers and the government to withdraw significant conclusions, adapt and adjust, and, finally, take lessons on future interventions to the real estate market. To that point, some informative questions might be:

- Are there indications of generational imbalances in housing wealth, where one generation significantly benefits or suffers at the expense of others?
- What are the long-term economic impacts of the policy on Portugal as a whole, and how do these impact different generations' opportunities for economic advancement?
- How has the policy affected social cohesion and the overall well-being of different generations? Are there any intergenerational conflicts or cooperation trends emerging?
- Has the policy been adjusted or expanded over time to address changing intergenerational dynamics and housing market conditions?

It is vital to remember, at every stage of the assessment, to include all relevant stakeholders, both those associated with the housing market as much as stakeholders from different generations (e.g., youth and senior organizations). They will add relevant inputs and provide a valuable on-field testimony of *Mais Habitação*'s impacts.

## 13.4 Limitations

The present report presents certain **limitations** that should be considered. Firstly, the **SOIF methodology**, while innovative in both subject matter and analytical approach, still has room for improvement. On the one hand, its flexibility has allowed for adapting each stage of the process to the Portuguese housing system, namely all the potential impacts. It, therefore, proves

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invaluable by preventing researchers from developing narrow perspectives and compelling them to assess its comprehensive repercussions, from implementation to its enduring consequences. This approach ensures that the analysis is complete and considers the long-term effects of the policy.

Conversely, we highly recommend conducting comprehensive **quantitative evaluations** to ensure an impartial policy analysis. We have evaluated the potential impact of the policy by reviewing previous research papers. These papers provide insights into the potential short-, medium-, and long-term effects of the policy's implementation in Portugal based on similar situations. Additionally, since the policy hasn't been implemented, the process may need an extension, and new strategies may be required for successful implementation.

Finally, the current package design and implementation are heavily influenced by **national political dynamics**, which can potentially be another limitation. Since 2019, with the introduction of the "*Lei de bases da Habitação*" and the creation of an autonomous Housing Ministry (2023), the government has greatly emphasised its fundamental role in ensuring affordable and adequate housing for the population. Thus, introducing this package aims to strengthen the government's role in meeting the housing needs of the people.

Nonetheless, as previously mentioned, the housing problem in Portugal is structural and has consequences for different generations, especially the younger ones. While this package may not be intergenerationally unfair, it **is not the silver-bullet solution for housing problems**, even though the government may present it as such. An all-encompassing strategy and collaboration with multiple private stakeholders beyond the government, are necessary to address this issue effectively.

### 13.5 Final Remarks

The **relevance of intergenerational justice** lies in the ethical dilemma surrounding policies that impact multiple generations and their cost distribution. Evaluating policies for their fairness to all generations is crucial, ensuring needs are met without compromising the ability of future generations to meet their own.

In this report, we evaluate three policies of the *Mais Habitação* package (*Law n. ° 71/XV/1.<sup>a</sup>*): increasing housing supply, ending the emission of new RPIs, and supporting families. When assessing the package's impact on various domains such as health, education, work, income, safety, and family policies, in the short, medium, and long term, it is projected to improve individuals' conditions. Consequently, this study concludes that the **policy is probably fair across generations**.

Concerning intergenerational transmission of inequality over time, these policies are expected to **reduce the transmission of inequality across generations** while benefiting younger generations. Despite the recent implementation of the package, comprehensive research is required to fully understand the long-term impacts of these assumptions, avoiding premature conclusions. Similarly, it is unlikely that these policies restrict the choices of future generations.

**Nevertheless, the policy's utility is limited** by the enduring nature of Portugal's housing market and the structural obstacles confronting the housing sector in the country. Thus, it may not achieve its stated objectives fully. As such, we also suggest implementing **further policy measures** to tackle these challenges while advancing fairness across generations, namely social

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housing quotas, subsidies, innovative social housing structures and a revision of the RPI program.

To promote inclusivity and balance in affordable housing distribution, we recommended establishing a **social housing quota** like the CULD law in Germany or the SRU law in France. In the US, the IZ delves into these quotas to encourage spatial justice, reduce the concentration of low-income areas, and bolster the availability of affordable housing. Similarly, we propose **introducing or expanding housing subsidies**, inspired by Vienna's *Wohnbeihilfe* and the Flemish rent subsidy. These programs aim to reduce the financial burden of housing on low-income households while promoting intergenerational fairness, as different age groups benefit from this housing assistance.

On the other hand, Portugal lacks **innovative social housing** structures that promote the housing market's affordability and reduce social segregation. Thus, we suggest exploring cooperative housing structures, such as Austria's "Genossenschaft" model or Italy's Colli Latini initiative and non-profit housing models, such as Denmark's *Almennyttig*. Moreover, reconfigure the RPI program by introducing the **Visa for Affordable Housing**, prioritising investment in government-approved affordable housing projects. As such, balancing economic benefits with societal well-being and intergenerational fairness principles would be possible. Lastly, given the significant number of vacant properties in Lisbon, a revitalisation of **abandoned dwellings** is proposed. These proposals aim to establish robust, inclusive, and fair policies across generations.

While the policy may seem fair on paper, it is unlikely to address the implicit unfairness in current real estate trends, particularly for future generations. Therefore, the government needs

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to implement practical measures to ensure inclusivity, not just on paper. That includes engaging other stakeholders and exploring other channels of action, as recommended in this report.

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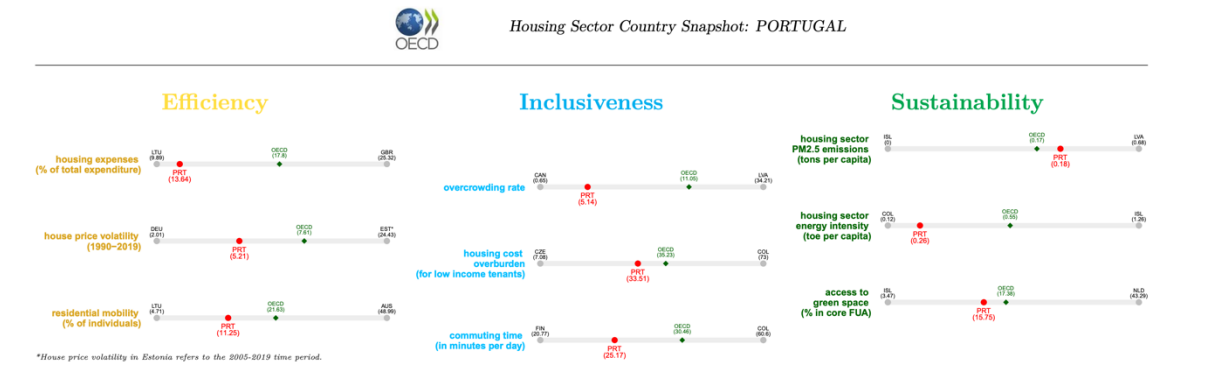
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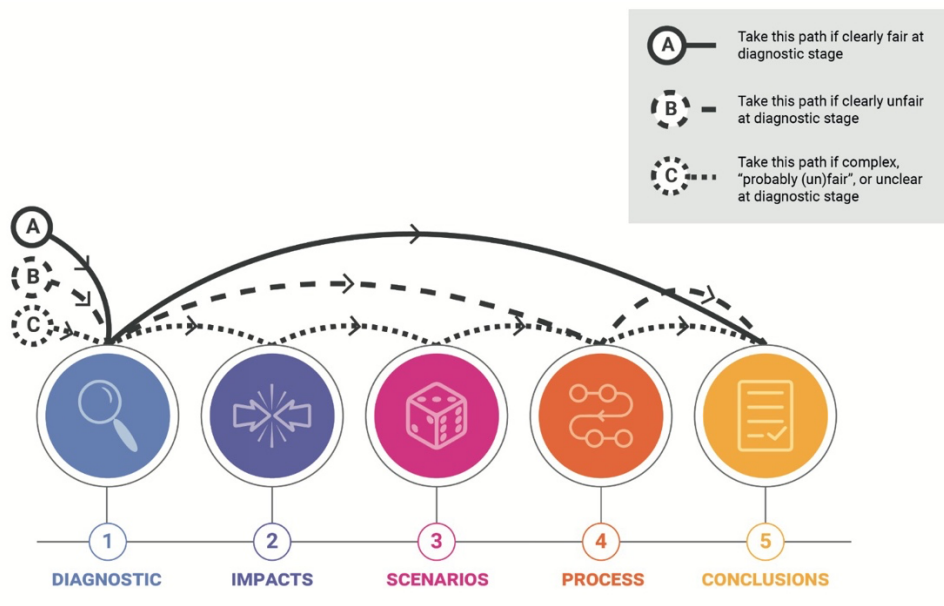
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## 10. Annex

- Housing sector overview based on efficiency, inclusiveness, and sustainability (OECD, 2023).



- Policy assessment process (FCG, School of International Future, 2021)



3. Evolution of household's ownership by generation (Gulbenkian, 2019)

Table 4.  
**Evolution of households aged between 20 and 29 years that own their home, by generation**

Generations	Census	Young homeowner households					
		Total		With purchase charges		w/o purchase charges	
		%	N	%	n	%	n
Generation 1	1970*	22.3%	46.680				
	1981	40.6%	131.294	10.5%	34.022	30.1%	97.272
Generation 2	1991	49.6%	133.404	18.0%	48.417	31.6%	84.987
	2001	63.8%	193.896	40.2%	122.113	23.6%	71.783
Generation 3	2011	45.4%	102.154	34.0%	76.455	11.4%	25.699

\* Aged between 15 and 29 years

Source: National Statistics Institute, I.P. - Portugal, Census 1970-2011. Authors' own calculations.

4. Overcrowded Homes 2022 (INE, 2022)

Taxa de sobrelotação da habitação por condição de pobreza, grupo etário e grau de urbanização, Portugal, 2022

