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The role of the state in the touristification of Lisbon

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ABSTRACT

The explanation regarding the recent touristification of cities has significantly focused on the ability of platforms such as Airbnb to offer millions of tourist beds in areas that were not planned for tourism use. Exploring Lisbon, we offer instead a political economic explanation where touristification is the result of the active intervention of the neoliberal state. Lisbon moved from a phase of abandonment to be gentrified by tourism in a very short period. To explain this, we examine how the state absorbed the cost of redevelopment, thus ensuring that private capital could extract profits from rehabilitation, and allowed developers to build the most profitable product with no limitations, which to a great extent are short-term rentals, hotels, and luxury housing for transnational users. By examining how the central city has been re-invented to serve the needs of private capital, we develop a dialogue between this general process of gentrification and how it is experienced in Southern Europe as a wave of intense touristification. We contextualize this within the historical political economic process in which the European South has progressively become a space of vacation for transient populations who are presented as the new class to be served.

1. Introduction

In the last decade, Lisbon experienced a significant growth of tourism, to such an extent that the number of both hotels and airport arrivals doubled between 2012 and 2019, while short-term rentals (STRs) moved from 900 to >19,000 in the same period (Turismo de Portugal, 2021). Simultaneously, Lisbon has been on the radar of real estate investors, and there has been an intense wave of housing rehabilitation in the historic centre; an area which, in previous decades, had experienced physical degradation and depopulation. In this paper we relate these two phenomena and, empirically, the aim of the paper is twofold. On the one hand, using georeferenced data on both licences for the renovation of buildings and tourism accommodation, we estimate the weight of tourism in the rehabilitation of the housing stock. On the other hand, we examine urban plans and public policies that, since the early 2000s, have stimulated the arrival of real estate capital to convert urban infrastructures into tourist accommodation, which demonstrates that the production of housing for tourist use could not have occurred without the active intervention of the state. As Barata-Salgueiro (2017) pointed out, tourism in Lisbon provided a strategic element to advance urban redevelopment, and this involved a conception of housing rehabilitation as physical change –beautification– with no interest in discussing for whom the city is actually for.

The lessons of this case study allow us to interpret touristification in the context of a broader gentrification process; that is, a cycle of disinvestment of the urban core, followed by a redevelopment process aimed at putting housing into the 'highest and best use' (Smith, 1996). The central city has been re-invented by the state to serve the needs of private capital, and this process contributed to the extensive displacement of communities. We develop a dialogue between this general process of gentrification with how it is experienced in Southern Europe as a wave of intense touristification. To do so, we put into conversation the Anglo-Saxon literature on gentrification and how the process occurs within the context of the unequal spatial division of labour. We refer to the

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historical process in which the European South has progressively become a 'vacationland festival' (Lefebvre, 1991: 58), in which transnational and transient populations —the tourist, the privileged migrant, and so on (López-Gay et al., 2021)— are presented as the new class to be served.

Therefore, by touristification we mean a process in which space is produced for tourist lifestyles (Jover & Díaz-Parra, 2020; Kowalczyk-Anioł, 2023; Milano et al., 2022; Salerno, 2022). In cities, it involves the penetration of tourism into residential areas, causing a tacit land use change in which residents are displaced by transient populations. In explaining touristification, the literature has played close attention to digital platforms such as Airbnb (Ioannides et al., 2019; Cocola-Gant & Gago, 2021; Yrigoy, 2019; Morales et al., 2022). The platform has been seen as the central element in the touristification of places because of its capacity to immediately offer millions of tourist beds in areas that were in theory not planned for tourism uses. We acknowledge the importance of Airbnb in allowing the arrival of extra local demand and in offering to developers a new real estate product. However, the urban effects of Airbnb could have not happened without the compliance of the neoliberal state (Clancy, 2022; Jover & Cocola-Gant, 2023). Discussing the early Neil Smith's work, Slater (2021) reiterates that rent gaps would not exist without the state serving as an active facilitator in creating the conditions for capital to flow into the rehabilitation industry. The market needs state intervention, and redevelopment cannot simply respond to demand. Through different interventions, we will show how the state absorbed the cost of redevelopment, thus ensuring that private capital could extract profits from rehabilitation, and allowed developers to build the most profitable product with no limitations, which in Lisbon, to a great extent, are STRs, hotels, and luxury housing for transnational users.

In the next section, we learn from US and UK cases showing the strategy implemented by the neoliberal state to encourage redevelopment in the 1980s and 1990s. Then, we discuss why this framework is useful in Southern Europe, and how in Lisbon this neoliberal toolkit has been especially important since the 2008 financial crisis, as tourism was seen as a strategy for urban growth.

2. The neoliberal state and urban redevelopment

Neoliberalism combines a commitment to the extension of markets and the logic of competitiveness with a supposed antipathy to all kinds of state intervention, advocating that the spontaneous operation of market forces would alone be sufficient to the task of economic regulation (Peck & Tickell, 2002). However, political economists have emphasised that the neoliberal formula was only applicable through state intervention. As Brenner and Theodore (2002: 352) point out, "while neoliberalism aspires to create a 'utopia' of free markets liberated from all forms of state interference, it has in practice entailed a dramatic intensification of coercive, disciplinary forms of state intervention in order to impose market rule upon all aspects of social life" [emphasis in original]. In the context of housing markets, Aalbers (2016) suggests that rather than negatively affecting the market as the laissez-faire dogma advocates, the state regulated in favour of the private sector, for instance via the privatization of social housing, the promotion of homeownership and overall, by opening-up the field to rent-seeking financial institutions. Neoliberalism re-shaped the previous regulatory system, creating a new infrastructure for market-oriented economic growth.

In line with Harvey's (1989) paper, in which he discussed the change from managerialism to entrepreneurialism, the Anglo-Saxon literature described several cases of neoliberal urban redevelopment strategies in the transition of cities to post-industrial economies. By redevelopment we refer to the reinvestment in a place after a period of disinvestment. As it is the moment in which capital invest in an abandoned central area, redevelopment usually marks the starting point of gentrification processes (Marcuse, 1985; Smith, 1996). Redevelopment is intrinsically related to the rehabilitation of the housing stock, as one of the main actions is the renovation of buildings for more affluent users. According to Weber (2010), as national state aids were contracted and responsibilities for redevelopment were devolved to cities, local governments adopted entrepreneurial approaches in a generalized pressure to attract capital. For instance, Fainstein (1994) explored how in New York and London the concern of planners and the local state in general was how to encourage investment in property markets, in a redevelopment process in which planners depended on private investors to make plans. Ultimately, state-led strategies provide the conditions to stimulate private market redevelopment by assuming the costs of the process. This was, in fact, explicit in Smith's explanation of the rent gap theory as he illustrated that the state had absorbed the early risks associated with gentrification, "thereby ensuring that developers could reap the high returns without which rehabilitation or redevelopment would not occur" (Smith, 1996: 67).

Scholars have explained different ways in which the state does so. A common strategy has been to give incentives to invest in real estate through tax deductions in designated areas targeted for redevelopment (Harvey, 1989; Weber, 2002). Privatization of municipal property holdings is another strategy in which the local state auction off devalued buildings to developers at prices below the market (Weber, 2002). Further incentives have been the state-led provision of mortgage funds at low or 0 % interest rates (Smith, 1996), in a process by which taxpayers, without warning, lend to developers for free. In the case of the London Docklands Development Corporation, authors explain how it was a public-private partnership in which the main role of the state was to offer cheap land, sell public properties to developers, and invest in infrastructure, clearance and demolition to add value to the site (Fainstein, 1994). The state reclaimed, improved, and prepared the land, enabling the realisation of profit by private actors. Through these policies, which are advantageous to capital, the state adds value to specific areas by absorbing and thus reducing the cost of redevelopment.

Redevelopment processes are fundamentally linked to the rehabilitation of the housing stock. A state incentive to make cities more attractive to real estate investment has been the liberalisation of the housing market in general and the private rental market in particular. The introduction of short leases so that landlords can repossess properties at any moment is a key neoliberal trend to make the rental market attractive to investors (Kemp, 2020). In contexts of lifetime tenancy, the elimination of rent control is needed for capital to flow to the housing rehabilitation industry (Arbaci, 2019). Put simply, for developers to rehabilitate the housing stock, the state needs first to guarantee that property owners can easily terminate contracts. The gentrification literature illustrates how the process of abandonment of inner-city areas is never complete, meaning that these places are usually inhabited by low-income tenants who live in a decaying built environment (Hackworth & Smith, 2001; Lees et al., 2008). Rehabilitation can only begin after such tenants have been displaced. The early gentrification literature was very aware of this process and Glass (1964) noted that the relaxation of rent control introduced in London in 1958 was a central element that facilitated housing rehabilitation for the middle-classes.

In sum, the experiences described in this section illustrate that the neoliberal urban governance paved the way for the private sector to take the lead in the redevelopment of downtown areas. These cases are informative because due to the different temporalities of capitalist expansion, in Lisbon neoliberalism was only consolidated in the 21st century. In the next section we discuss the temporality of gentrification in Southern Europe to further develop this point.

3. Temporality and tourism-led redevelopment in Southern Europe

The formation of rent gaps and how they can be closed vary in time and space due to uneven geographical development. In this regard, as gentrification research was following a model of urban change originated in London but difficult to find in other places, Lees (2012) called to revisit the 'geography of gentrification'. To this end, the author (2012) suggested to examine the temporality of gentrification in each context as the process can emerge in different places at different times. To move forward, Lees (2012) proposed to highlight the 'generalizable features of gentrification' and to compare how and when they take place in different geographies. As 'generalizable feature', in this paper we focus on the cycle of disinvestment and reinvestment of the urban core, which stimulated by state action, produces extensive displacement of vulnerable populations, regardless of whether the final consumer is a visitor, a resident or both. The social and landscape change will vary among cases as they will depend on specific local contexts (Clark, 2005), but a 'generalizable feature' of gentrification is how redevelopment is stimulated by the state to close rent gaps (Smith, 1996).

The argument of this section is as follows: first, in several cities of Southern Europe the redevelopment of central areas has only taken place in the last years, mainly after 2014 when the real estate market boosted after the recession. We refer for instance to the historic centres of cities such as Palermo (Picone, 2021), Porto (Carvalho et al., 2019), Naples (Rossi, 2022), and Lisbon in this paper. Second, in terms of supply redevelopment is sponsored by the state and its role in opening local real estate markets to financial capital. Third, in terms of demand reinvestment is fundamentally driven by the role of tourism in opening real estate investment opportunities and how platforms such as Airbnb facilitated the process. And fourth, the consequence is that redevelopment results in private capital converting all kinds of infrastructures for tourism purposes, usually displacing residents, and giving way to cities in which the rehabilitated housing stock caters to floating and transnational users. These places moved from a phase of abandonment to be gentrified by tourism in a very short period. Therefore, the process challenges the timing of gentrification described in the Anglo-Saxon literature (Hackworth & Smith, 2001; Lees et al., 2008). However, it is useful to have been explored how redevelopment kicked off in the UK and US because the local and national states in Lisbon adopted several of the neoliberal formulas developed in previous decades in such places. As Díaz-Parra (2021) suggests, the fact that a conceptual framework originates in a different context and at a different time does not invalid its explanatory capacity.

In other cases, some Southern European cities were experiencing gentrification dynamics before the 2008 financial crisis (Janoschka et al., 2014). Here tourism and the financialization of property markets came to consolidate the process (Cocola-Gant, 2018; Tulumello & Allegretti, 2021). This is for instance the case of Athens where the root of gentrification is traced in the investments produced for the 2004 Olympic Games (Alexandri, 2015, 2018), but that has recently been touristified in a rapid way (Pettas et al., 2022). Similar processes are seen in the Spanish cities of Barcelona (Cocola-Gant & Lopez-Gay, 2020), Palma (González-Pérez, 2020), and Seville (Jover & Díaz-Parra, 2020) among others. As Alexandri and Janoschka (2020) suggest, when gentrification develops slowly through time, tourism and associated real estate businesses are often enacted by the state to speed up value extraction from the city. In this regard, the intensification of this process seen in the last years has much to do, on the one hand, with uneven development and, on the other, with how national and local states embraced tourism as a solution to the 2008 financial crisis.

The core-periphery inequality within Europe have been accelerated since the integration of Southern European countries into the EU, and the resulting weakness of Southern economies explain why they were severity hit by the 2008 financial crisis (Hadjimichalis, 2017). Hadjimichalis (2017) further suggests that the imposition of austerity measures by the EU in the region implied the liberalisation of different sectors, including housing, in a pressure to attract capital investment and consumers. In such a context, the recent touristification seen in different Sothern European cities has much to do with the response to the 2008 financial crisis. The way out of the crisis consolidated an accumulation regime based on the coupling of the tourism and real estate industries (Jover & Cocola-Gant, 2023). On the one hand, tourism and the attraction of an international demand was a spatial fix to the recession (Fletcher, 2011). According to the UNWTO, in the last decade Southern Europe experienced the sharpest increase in tourist arrivals registered anywhere in the world, making the area the top worldwide destination for tourists (Cañada & Murray, 2021). On the other hand, the opening of local real estate markets to global flows of capital implied that the state eased urban and environmental regulations to allow the growth of hotels, resorts, second homes, and STRs, while gifted financial capital with greater power and encouraged institutional investors to fund tourism infrastructures (Blázquez-Salom, 2013; Janoschka et al., 2020; Murray, 2015; Yrigoy, 2016).

As a result of these political economy changes, and coupled with the success of digital platforms such as Airbnb, several Southern European places have moved from a phase of 'decline' to have been gentrified in a very fast way. The speed of touristification challenges the stage models of gentrification seen in the Anglo-Saxon literature. According to Hackworth and Smith (2001), first wave gentrification refers to the initial 'back to the city movement' in the 1970s; and the process moved to a current fifth wave suggested by Aalbers (2019) marked by the state-led financialization of property markets, in a context mediated by digital platforms. The point is that there has been a time compression of the process, in which places such as Lisbon have moved from first to fifth wave gentrification in less than a decade. This velocity has important implications for social justice. Residents in these areas, who mainly were low educated elderly people, had no time or resources to respond to the disintegration of their place.

4. Case study, sources, and research questions

Lisbon is the capital of Portugal and has a population of 545,923 inhabitants. Since the 1980s, the city experienced deindustrialization and transitioned towards a post-industrial economy focused significantly on leisure. Simultaneously, the city, and particularly the historic centre, experienced three interrelated processes: depopulation; aging of the population; and degradation and abandonment of the housing stock. Several neighbourhoods of the city centre have been inhabited by an elderly and working-class population living in a degraded built environment. The degree of capital disinvestment in the urban fabric was drastically captured in the 2011 census, which shows that 52 % of buildings in the historic centre of Lisbon were in need of repair. However, in the last decade an intense wave of housing rehabilitation occurred in these areas (Barata-Salgueiro et al., 2017; Lestegás, 2019).

In the study, we focus on the historic centre of Lisbon – the districts of Misericórdia, Santa Maria Maior, and São Vicente –, and in the analysis we also include the two neighbouring districts of Arroios and Santo António as they have a high number of both tourist accommodation and rehabilitated buildings (Fig. 1). According to census data, between 1981 and 2021 Lisbon's population decreased by 32 %. However, in the historic centre, the population decrease was particularly dramatic, at a percentage of 63 %. In terms of age and education, in 2011, 25 % of the population in the historic centre were >65 years of age while the group of 0–24 years old represented only 18 %. In addition, 48 % of the population in the historic centre only had primary education. As tenancy agreements signed before 1990 were for a lifetime, there has been a widespread existence of semi-abandoned buildings partially occupied by poor elderly tenants.

The context in Lisbon can be comparable to cases of first wave gentrification, where disinvestment created a rent gap and where the state was hoping for a 'back to the city' movement able to rehabilitate the housing stock and 'bring life' to the old city. Before the 2008 financial crisis, some gentrification took place in certain areas (Malheiros et al., 2013; Pavel, 2015), however, it has only been in the last decade that the rehabilitation of housing emerged as a consolidated industry, this time coupled with a significant growth of tourism (Barata-Salgueiro et al., 2017; Cocola-Gant & Gago, 2021; Tulumello, 2016;

Fig. 1. Municipality of Lisbon, rehabilitation (in grey), and central districts (in red). (For interpretation of the references to colour in this figure legend, the reader is referred to the web version of this article.)
Source: own elaboration from Lisbon City Council.

Tulumello & Allegretti, 2021). Since 2016, and for the first time in history, Lisbon has been hosting more guests than the Algarve, the coastal region in southern Portugal that had been the main holiday destination in the country since the 1970s (Turismo de Portugal, 2021). The growth of visitors was paralleled by a steady increase in the number of tourism accommodation establishments. Between 2009 and 2021, 137 hotels opened in Lisbon, summing a total number of 255 units (Turismo de Portugal, 2022). Similarly, the registry of STRs shows 1009 licences in 2014, but this number grew to >19,000 in 2019. As we will show below, this growth is linked to the creation in 2014 of the Legal Regime for the Exploration of STRs (Marques Pereira, 2022).

Despite the wave of housing rehabilitation, the depopulation of the historic centre has increased in the last decade. The 2021 census shows that while the population in Lisbon decreased 1 %, the historic centre lost 19 % of its registered inhabitants. Similarly, in the last decade the historic centre experienced an 18 % decrease in the number of households, while in Lisbon the decrease was 2 %. In this context, the hypothesis is that the state has been concerned with the physical rehabilitation of the housing stock, making efforts to attract real estate capital, but with no interest in improving the housing conditions of residents. In a context of low salaries – in 2019 the average monthly remuneration in Portugal was 1005€ and the minimum wage was 580€ –, it is more profitable for developers to build products catered for an extra local demand, and rehabilitation gave way largely to hotels, STRs, and luxury housing. To test and explain this hypothesis, the aim of the research is twofold. First, we examine the rehabilitation of the housing stock and the extent to which rehabilitation gave way to tourism accommodation. To do so, we used two public georeferenced datasets and complemented this information with housing price data acquired from the consultancy Confidencial Imobiliário. The first dataset is municipal data for licensing permits for the renovation and expansion of buildings in the period 2009–2021. The limitation of this data is that we do not know whether the licence is for an entire building, an apartment, or several apartments in a building. In the studied period, >9000 licences were provided within the municipality of Lisbon, affecting a total of 7182 buildings. The licences are represented in grey in Fig. 1. Second, we use the National Tourism Register, which offers georeferenced data about hotels and STRs. The STR register was created in 2014 and property owners could register by mere communication. As it is a georeferenced dataset, for spatial analysis it offers better possibilities than data scraped from the Airbnb website. The limitation of the dataset is overrepresentation. From 2019, the city council halted new licences in some areas of the historic centre. It seems that some property owners registered in 2018 before the limitation took place, but it is likely that many of these have not been operating.

Second, within the neoliberal framework that was reinforced as a result of the 2008 economic crisis, it is of interest to disclose what the state actually did to encourage housing rehabilitation and the role of tourism in the process. To this end, we implemented critical policy analysis by examining plans, laws and specific projects that will be described in more detail below. Finally, the paper is part of a bigger project in which 24 in-depth interviews with real estate consultants, developers, and STR management companies have been conducted (Cocola-Gant et al., 2021). Interviews were conducted in 2019 and in 2021. The view of these participants helped to better interpret: the quantitative data; the strategies of investors regarding the redevelopment of the city; and the market dynamics of rehabilitated housing in Lisbon.

5. Tourism and redevelopment in Lisbon: the role of the state

From the late 1980s, the central urban area of Lisbon began to be the target of rehabilitation actions. In a first phase, the state was an active funder of a rehabilitation strategy that focused on social inclusion through the improvement of the housing conditions of the population (Mendes, 2014; Pavel, 2015; Pinho, 2009). However, the 1990s marked the start of a second phase that was in essence neoliberal and of which the main goal was to attract real estate capital and tourism (Barata-Salgueiro, 2017; Estevens, 2017). In the early 2000s, the local state assumed that the strategic aim for the city was to place it in the ranking of best places to live, visit, and invest; tourism promotion and the rehabilitation of the urban fabric being two central elements to achieve this (Mangorrinha, 2009). In terms of housing rehabilitation policies, at the national level this neoliberal turn is marked in 2004 by the creation of the Societies of Urban Rehabilitation – SURs (Decree Law 104/2004). Their main function is to raise capital for rehabilitation operations and to develop public-private partnerships (Branco & Alves, 2020; Queirós, 2007). The social welfare approach from the 1980s gave way to a market-led oriented rehabilitation framework more concerned with improving physical degradation and, essentially, with giving more power to developers in the decision-making process.

The Portuguese state intensified the neoliberal agenda because of the 2008 financial crisis. Austerity, on the one hand, and the attraction of capital and tourism on the other, were seen as solutions to the recession (Seixas et al., 2019). Further liberalisation was in fact a condition of the 'Troika' (the European Commission, the European Central Bank, and the International Monetary Fund) in the bailout given to Portugal in 2011. In Lisbon, the economic crisis consolidated the strategy of market-led rehabilitation by creating conditions favourable to real estate capital. This was evident in the Lisbon Urban Rehabilitation Strategy 2011–2024. This programme assumes that since the municipality does not have the financial and technical means to invest in rehabilitation, the way to go is to attract "private investment for the rehabilitation of buildings, making of it an investment as or more interesting than any other" (Lisbon City Council, 2011: 11). As Mendes (2014) notes, for this strategy to work, it is essential that investment is profitable, and this meant the creation of an ad hoc fiscal and regulatory framework. To this end, we highlight four elements that were implemented by both the national and local states. First, in 2009 the national government approved the New Legal Regime for Urban Rehabilitation (Decree-Law 307/2009). It gives power to municipalities to determine 'urban rehabilitation areas', where delimitation is associated with tax incentives. Applied in these areas are: the reduction of the Value Added Tax, from 21 % to 5 %; the exemption from the Municipal Property Tax for a period of three years; and, in a clear strategy to open the local real estate market to global circuits of capital, the exemption of the Corporate Income Tax, which benefits real estate investment funds.

Second, and crucially, the 2012 Lisbon Municipal Master Plan (Lisbon City Council, 2012a) categorises almost the entire city as an 'urban rehabilitation area', applying these fiscal benefits to neighbourhoods far beyond the central districts. In addition, the Master Plan liberalises previous regulations to allow a tacit change in land use from housing to commercial purposes. The 2012 Plan replaced the 1994 Lisbon Municipal Master Plan (Lisbon City Council, 1994), which had recognised the need to promote the residential function of the central city and bring residents back. The 1994 Plan created restrictions for tertiary occupation. These restrictions were eliminated in 2012, prioritising the needs of private developers over urban planning. Coupled with the increased growth of visitors, the liberalisation of the Master Plan allowed the construction of hotels and STRs with no limitations. Additionally, it allowed tourism-oriented retail change, leading to an increase of restaurants, bars, and nightlife venues (Nofre, 2021). In fact, the 2012 Master Plan stated that the way to redevelop the central area of Santa Maria Maior – the area called Baixa–, was through "the reinforcement of the hotel and para-hotel offer and the qualification of commerce and restaurants, developing an open-air shopping centre" (Lisbon City Council, 2012a: 15). In other words, the 2012 Master Plan paved the way for the touristification of the central city.

Third, in order to captivate investors, both the national and the local states changed administrative requirements to simplify the licensing and monitorisation of rehabilitation works. This process started in 2007 with the amendment of the Legal Regime for Urbanization and Building (Decree-Law 60/2007) and concluded in 2014 with the Exceptional Regime for Urban Rehabilitation (Decree-Law 53/2014). Fourth, public funding programmes for rehabilitation were created with zero or low interest rates, the use of which were largely orientated towards the opening of tourism accommodation. For instance, the European Investment Bank created the JESSICA programme to fund rehabilitation projects, and in Portugal 62 % of this funding scheme was used to open hotels and STRs (Safara & Brito-Henriques, 2017). In a similar direction, in 2015 the Portuguese government created the Financial Instrument for Urban Rehabilitation and Revitalization, IFRRU 2020 (Council of Ministers Resolution No. 52-A/2015). The combination of these four measures was key, not only to foster redevelopment, but to encourage both the penetration of financial capital in the rehabilitation industry and the tourism-led rehabilitation of the housing stock. In a study of the rehabilitation of an 18th century building that was converted into a luxury hotel, Safara and Brito-Henriques (2017) define the hotel as an allegory of these policies, as the developer benefited from all of them.

While fiscal and administrative benefits were given to developers, the state also created fiscal programmes to benefit international housing buyers. In 2009 the national state established the Tax Regime for Non-Habitual Residents (Decree-Law 249/2009), and in 2012 it implemented the Authorisation of Residence for Investment Activity (ARI), popularly called the Golden Visa Programme (Decree-Law 29/2012). The former scheme provides 10-year tax breaks to European citizens whose source of income is obtained abroad. This encourages retirees to move their pensions to Portugal, and as demonstrated by Montezuma and Mcgarrigle (2019), they tend to be middle and upper classes who are investing in second homes. The Golden Visa programme grants residence in Portugal and the possibility to obtain an EU passport to non-EU individuals who invest €500,000 in real estate, create at least ten jobs, or transfer this amount of capital to the country. The amount can be €350,000 if the investment is for housing rehabilitation. In the period 2012–2021, >10,000 permits were granted, 9514 of which were for real estate operations (SEF, 2022). Our interviews with real estate consultants reveal first, that Golden Visa investments are overwhelmingly concentrated in prime locations in Lisbon, and second, that as investors do not need to reside in the country, they usually rent the accommodations in the STR market. STR management companies confirm that overall, 50 % of property owners are foreign investors, a large proportion of these being Golden Visa buyers. Furthermore, the programme can be used to participate in investment funds and are not only to buy housing units. Interviews reveal that, to finance rehabilitation, developers create investment funds where the minimum amount to participate is €350,000. By doing this, they benefit from the exemption of Corporate Income Tax while attracting Golden Visa investors to the operation. In our interviews, participants explained that STR apartment blocks are usually funded in this way. Developers create partnerships with STR management companies and give Golden Visa investors the option to rent the asset in the STR market; however, investors can also choose options other than renting on Airbnb. Real estate consultants explained that rehabilitated buildings are also rented in the long-term rental market to affluent users, who usually are privileged migrants. A third option is to leave the asset empty to obtain capital gain in the future.

Hitherto, this paper has shown how the state, on the one hand, added value to degraded buildings by absorbing and, therefore, reducing the cost of rehabilitation. On the other hand, the state has also given fiscal benefits to international buyers, stimulating an extra local demand. In this way, the state has further opened the rent gap and ensured that developers could obtain high returns. However, for capital to flow into the rehabilitation industry, the liberalisation of the rental market was crucial, particularly because old rents were frozen in Portugal (Arbaci, 2019). This was in fact a prerequisite in the bailout signed by Portugal in 2011. In 2012 the national government approved the New Urban Lease Law (Law 31/2012), which gives landlords more power to terminate contracts and quicken eviction processes. All rental contracts signed before 1990 were for a lifetime, but the new law ended this condition, causing a wave of evictions starting in 2013 that mainly affected older people who lived in degraded buildings (Barata-Salgueiro et al., 2017). In this regard, the lawyer of a development company told us:

"To have an elderly tenant with a lifetime contract was very expensive for developers. To relocate this tenant may cost €80,000. So, despite all fiscal benefits given to developers, the real driver of rehabilitation was the new rental law".

In other words, while taxpayers assumed some costs of the redevelopment process, a more substantial cost was assumed by the very vulnerable, who ultimately lost their homes. According to the National Lease Desk, which was created to facilitate eviction processes, 2968 renters were evicted in Lisbon between 2013 and 2018 (O Jornal Económico, 2018).

The rental law was paralleled with the liberalisation of the STR market. In 2014, the government created a STR register and a regulatory framework for this activity (Decreet Law 128/2014). Between 2014 and 2019, property owners could register easily by completing a simple online form. As there were no restrictions whatsoever, in this period, the number of licences in Lisbon grew from 1006 to >19,000. In 2019, municipalities were allowed to enact restrictions. The Lisbon City Council presented the Municipal Regulation for STRs, a zoning plan to halt new licences in some areas where >20 % of the housing stock was used for tourism purpose (Pavel et al., 2022). However, there are some exceptions and developers can still obtain a STR licence if they rehabilitate degraded buildings (Dagkouli-Kyriakoglou et al., 2022). Therefore, state regulation and incentives have been crucial for the expansion of STRs in Lisbon.

Another type of strategy with a significant impact in tourism-led rehabilitation has been the selling and leasing of public properties to private developers. Once again, the state reduces the cost of redevelopment, this time by alienating their historic buildings at prices below the market or by conceding their use for several years. First, in 2012 the Lisbon City Council launched the programme "Rehabilitate First, Pay Later" (Lisbon City Council, 2012b), which aims at promoting the

Fig. 2. Compilation of policies described in the paper.
Source: own elaboration.

market-led rehabilitation of derelict municipal buildings. According to Bivar et al. (2017), using this programme, developers have mainly produced two products: STRs and luxury housing. Second, the national Revive programme (Law 41/2016), which has an implicit tourism-led rehabilitation objective, alienates publicly owned historic buildings. To date, there are three historic buildings granted in Lisbon under this programme, all of which will be converted into luxury hotels: Quartel da Graça, Pombaline Palace on Rua da Prata, and Manteigueiro Palace. Finally, beyond these two programmes, there are several cases of alienation regarding public infrastructures that have been, or are in the process of being, converted into the same formula: hotels and luxury housing. We refer to large historic infrastructures such as the Navy Hospital, part of the Santa Apolónia train station, or Monica's Convent. For instance, the Navy Hospital was sold in 2016 (Order 3877/2016) to the Stone Capital real estate investment fund, which intends to transform it into a hotel and a private condominium. These operations mean that many of the most iconic and representative buildings of the history of Lisbon will be enjoyed by luxury travellers and foreign investors (Fig. 2).

In sum, the entrepreneurial approach to rehabilitation created a fiscal and regulatory framework which reduced the cost for developers and, at the same time, allowed them to build any type of real estate product with no limitation. In addition, interviews with industry players confirmed that these policies opened the local rehabilitation industry to foreign investors. The participant from the consultancy JLL stated that French, Spanish, and German rehabilitation companies settled in Lisbon, and mentioned that "their clients are usually buyers in their countries of origin, who acquire a refurbished product for second homes or pure investment". It has been demonstrated that these second home buyers typically rent the apartments in the STR market when they are not in Lisbon (Cocola-Gant & Gago, 2021; Montezuma & Mcgarrigle, 2019). The representative of the consultancy CBRE recognised that "policy changes helped to put Lisbon on the radar of global investors". She further explained that the lack of zoning limitations was key to encourage redevelopment and stated:

> "Despite all fiscal benefits, the price of the rehabilitated product is too expensive to build housing for the local population. It is no coincidence that rehabilitation is for tourism and for international buyers".

In other words, it seems that rehabilitation created housing for affluent users as well as hotels and STRs. In the next section we will explore how these two processes coexist and reveal their geography in the city.

6. The weight of tourism within the rehabilitation of Lisbon

Table 1 indicates the number and percentage of buildings with a rehabilitation licence in the five central districts. By rehabilitated building we designate that building in which at least one rehabilitation licence has been granted, although we do not know if the rehabilitation refers to one or several apartments, or if it does to the entire building. Between 2009 and 2021, 25 % of buildings underwent rehabilitation works. In the historic districts of Santa Maria Maior and Misericórdia, the numbers were 32 % and 34 % respectively, while in Santo Antonio it was 40.5 %. We should compare these numbers with other cities, but having rehabilitated at least one apartment in one-third of these central districts' buildings over the last 10 years is an indicator of a remarkable intensity, and it provides some evidence about the amount of capital that flowed into this industry. Tables 2, 3, and 4 connect rehabilitation with hotels and STRs. Overall, data illustrates a dramatic change in use of housing to STRs, and the degree of tourism-led rehabilitation in the historic centre. However, it also further reveals that a complete change from housing to touristic has not occurred. Fig. 3 illustrates the spatial imprint of our data.

Considering the construction of hotels, 106 units opened in the five central districts, of which 92.5 % are in rehabilitated buildings (Table 2). Hotel-led rehabilitation is clear, but the number is low compared with the 19,301 registered STRs, which deserves special attention. A first point is the astonishing use of housing as STRs (Table 3). In the five central districts, there is at least 1 STR in 50 % of buildings. However, the number is higher in Santa Maria Maior and Misericórdia, reaching 74 % and 65 % respectively (Fig. 3), while in the rest of the city it is 8 %. Therefore, the geography of touristification is uneven and is clearly concentrated in the historic centre. Table 3 further demonstrates the distribution of STRs per building and the percentage of STRs existing in rehabilitated buildings. Data reveals that in buildings with a greater number of STRs more rehabilitation licences have been issued. For example, in Misericordia, a rehabilitation licence has been received in two thirds of the buildings with six or more tourist apartments, while this is only the case in one third of the buildings with one or two tourist apartments.

With the aim of estimating the number of buildings which are entirely used as STRs, we have identified buildings with 6 or more STRs (Table 3). According to the census, in Lisbon, the average number of apartments in a building block is 7.8, but this number is lower in the historic area given that the structures are smaller. In the central districts, we identified 415 apartment blocks having 6 or more STRs, meaning that it is very likely that these buildings are de-facto hotels. Interestingly, 54 % of these buildings were rehabilitated, but in Santa Maria Maior and Misericordia, the category of ≥6 STRs in rehabilitated buildings is 58 % and 64 % respectively (Fig. 3). In these districts, the degree in which rehabilitation gave way to entire buildings used as STRs is significant.

In Table 3, another relevant category is buildings with 3–5 STRs. In the historic centre of Lisbon, it is common to find small structures of two or three floors having 1 apartment per floor. We offer an estimate, but it is likely that a significant proportion of buildings with 3–5 STRs may be used as de facto hotels as well. In the central districts, the number of buildings with 3–5 STRs is 1253. Among these, in Santa Maria Maior and Misericórdia, 36 % and 42 % are in a building that received a rehabilitation licence (Fig. 3). Finally, the last category is apartment blocks

Table 1
Number of buildings and rehabilitation licences, 2009–2021.

	# Buildings	# Buildings with rehabilitation licences	Rehabilitated buildings (%)
5 central districts	11,915	3013	25.3 %
Santa Maria Maior	2426	791	32.6 %
Misericordia	2233	771	34.5 %
Arroios	3320	558	16.8 %
Santo Antonio	1609	652	40.5 %
Sao Vicente	2327	241	10.4 %
Rest of the city	40,581	4169	10.3 %
Lisbon	52,496	7182	13,7 %

Sources: INE and Lisbon City Council.

Table 2
New hotels since 2009 and rehabilitation.

	# Hotels	# Hotels in a rehabilitated building	% Hotels located in a rehabilitated building
5 central districts	106	98	92.5 %
Santa Maria Maior	46	44	95.7 %
Misericordia	8	8	100 %
Arroios	21	17	81.0 %
Santo Antonio	29	27	93.1 %
Sao Vicente	2	2	100 %
Rest of the city	31	19	61,3 %
Lisbon	137	117	85,4 %

Sources: Lisbon City Council, National Tourism Register.

Table 3
Short-term rentals and rehabilitation.

	Rehabilitated buildings with STRs										
	Total				1–2 STRs in the building		3–5 STRs in the building		6 or more STRs in the building		No STR in a rehabilitated building
	# STRs	# Buildings with STRs	Buildings with STRs (%)	Buildings with STRs located in a rehabilitated building (%)	# Buildings with STRs.	Buildings with STRs located in a rehabilitated building (%)	# Buildings with STRs	Buildings with STRs located in a rehabilitated building (%)	# Buildings with apts.	Buildings with tour. apts. located in a rehabilitated building (%)	
5 central districts	13,774	5963	50.0 %	30.5 %	4295	26.8 %	1253	35.6 %	415	54.5 %	18.2 %
Santa Maria Maior	4734	1800	74.2 %	33.7 %	1164	29.0 %	459	36.4 %	177	58.2 %	22.0 %
Misericordia	3537	1466	65.7 %	38.4 %	1048	34.5 %	310	42.3 %	108	64.8 %	26.1 %
Arroios	2209	1133	34.1 %	20.5 %	885	18.0 %	195	26.2 %	53	41.5 %	13.9 %
Santo Antonio	1678	723	44.9 %	37.6 %	541	35.1 %	136	44.1 %	46	47.8 %	39.6 %
Sao Vicente	1616	841	36.1 %	17.5 %	657	15.4 %	153	24.2 %	31	29.0 %	6.2 %
Rest of the city	5527	3579	8.8 %	15.9 %	3189	14.8 %	310	23.2 %	75	30.7 %	9.6 %
Lisbon	19,301	9542	18.2 %	25.0 %	7484	21.7 %	1563	33.1 %	490	50.8 %	10.8 %

Sources: Lisbon City Council, National Tourism Register.

having 1–2 STRs. There are 4295 buildings in this category in the central districts, of which 26.8 % are in buildings that received a rehabilitation licence.

Table 4 illustrates to what extent rehabilitation gave way to tourism accommodation. In Santa Maria Maior, considering both hotels and STRs, there is tourism accommodation in 82.3 % of buildings that received a rehabilitation licence. It is also true that 42.6 % refers to buildings with 1–2 STRs, and therefore these buildings may have mixed uses. In either case, it seems clear that redevelopment gave way to the touristification of the historic centre in terms of significant touristic use of the housing stock, and this should be related to the loss of population and households in the area. However, data further illustrates that touristification is never complete in the sense that rehabilitation also produced buildings for other uses as well as tourism accommodation. Rehabilitation in the district of Santo Antonio affected 40.5 % of buildings (Table 1), but 54.1 % of these works were for non-tourist use (Table 4). The qualitative research suggested that these non-touristic uses are luxury housing which tend to cater to transnational individuals, both buyers and renters. Fig. 4 reveals housing prices by district between 2007 and 2020 and confirms this trend. It indicates a sharp increase in housing prices after 2013, and that prices are far above the average in the three districts with more rehabilitation, with Santo Antonio being the most expensive district. Fig. 4 further shows that rehabilitated buildings are far more expensive than the average price, confirming the suggestion from CBRE that the rehabilitated product is likely to be bought by international buyers. Therefore, tourism-led rehabilitation has a clear spatial pattern in Santa Maria Maior and Misericórdia (Fig. 3), but it should be understood as part of a larger cycle of disinvestment and redevelopment, coexisting with transnational gentrification.

7. Conclusions

In this paper we have contributed to the debate on the touristification of central spaces from a political economy perspective, highlighting the relationship between the state, tourism, and urban redevelopment. We provided empirical evidence showing that touristification does not simply respond to the spontaneous operation of the market, challenging the argument that the process is mainly driven by platforms such as Airbnb. Instead, the state played an essential role in attracting real estate capital and encouraged it to be invested in infrastructures for tourist uses with no restrictions. In fact, the state advocated and paved the way for a tourism-led redevelopment process even before the global success of Airbnb.

In explaining touristification in Lisbon, is important to consider the multi-scalar state intervention and the intensification of neoliberalism after the 2008 financial crisis. The national and local states advocated for tourism-led redevelopment since the late 1990s. However, as in other places in Southern Europe (Hadjimichalis, 2017), in the last decade the EU disciplined governments imposing austerity and liberalisation of different sectors, including tourism and real estate. In this context, the way out of the 2008 financial crisis was the creation of an ad-hoc framework to enhance tourism development on the one hand, and to give tax benefits to developers and international buyers in real estate on the other (Jover & Cocola-Gant, 2023). The result has been an accumulation strategy based on the nexus among tourism, transnational demand, and property markets. This nexus has been highlighted in different Southern European countries (Murray, 2015) and, ultimately, consolidated the unequal division of labour foreseen by Lefebvre in which the peripheral European South has become a region "exploited for the purpose of and by means of the consumption of space" (1991: 353).

Our findings further show that, from a production-side perspective, touristification in this case cannot be separated from a broader gentrification process; that is, a cycle of disinvestment of the urban core followed by capital investment, and the consequent closing of the rent gap by private developers (Smith, 1996). The aim of state intervention was

Table 4
Percentage of tourism accommodation in rehabilitated buildings.

	Rehabilitated building with tourism accommodation					No tourism accommodation in the building
	Hotels (since 2009)	STRs (All)	STRs (1–2 apts. in the building)	STRs (3–5 apts. in the building)	STRs (6 or more apts. in the building)	
5 central districts	3.3 %	60.4 %	38.1 %	14.8 %	7.5 %	36.3 %
Santa Maria Maior	5.6 %	76.7 %	42.6 %	21.1 %	13.0 %	17.7 %
Misericordia	1.0 %	73.0 %	47.0 %	17.0 %	9.1 %	25.9 %
Arroios	3.0 %	41.6 %	28.5 %	9.1 %	3.9 %	55.4 %
Santo Antonio	4.1 %	41.7 %	29.1 %	9.2 %	3.4 %	54.1 %
Sao Vicente	0.8 %	61.0 %	41.9 %	15.4 %	3.7 %	38.2 %
Rest of the city	0.5 %	13.6 %	11.3 %	1.7 %	0.6 %	85.9 %
Lisbon	1.6 %	33.3 %	22.6 %	7.2 %	3.5 %	65.1 %

Sources: Lisbon City Council, National Tourism Register.

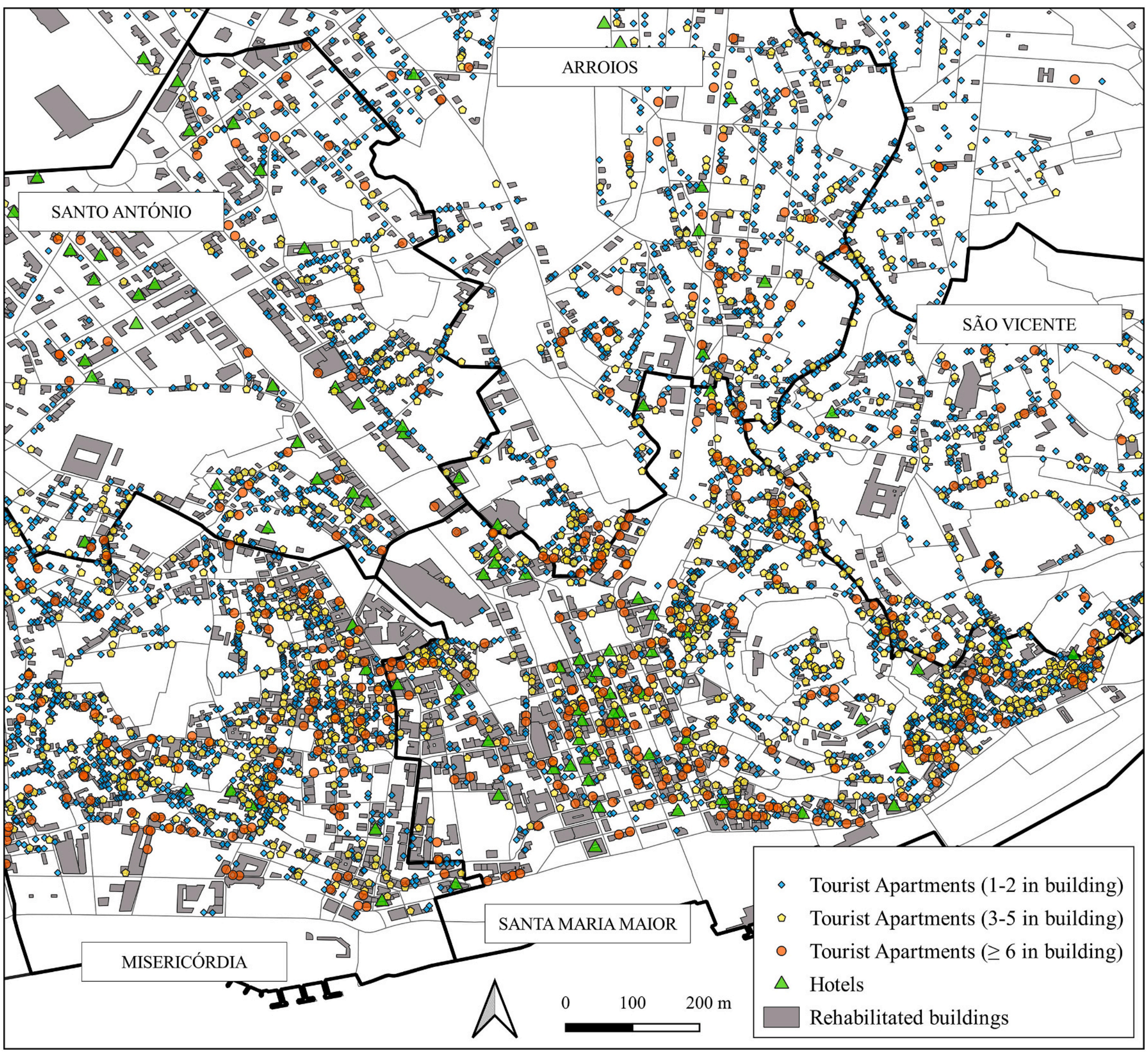

Fig. 3. Rehabilitation and tourism accommodation in the five central districts of Lisbon, 2009–2021.
Source: own elaboration from Lisbon City Council, National Tourism Register.

to counter the abandonment of the central city by both giving facilities to real estate capital and bringing an international demand able to stimulate the local real estate market. It is interesting here to see the role of the nexus tourism-real estate in reinterpreting Marcuse's (1985) conception of gentrification and abandonment. According to Marcuse (1985: 199) abandonment (by capital) occurs when all those having a private profit-oriented economic interest in a place lose any incentive for continued investment because of the absence of effective demand. The effective demand in this case has much to do with the arrival of transnational consumers as a way to stimulate the economy, particularly the real estate sector. Marcuse further noted that the entrepreneurial cure for abandonment has usually been state-led gentrification. The policy assumption is that "especially in a time of fiscal stress, the public sector cannot hope to counter abandonment alone. Only full use of private

Fig. 4. Housing prices in Lisbon and in the five central districts, 2007–2020.
Source: Confidencial Imobiliário.

sector resources can do this" (Marcuse, 1985: 196). This is exactly the kind of intervention that we explored in this paper, where the state allowed market actors to put housing into the 'highest and best use' with no limitations. In the historic centre, market actors have mainly built tourist accommodation, driving the touristification of the city. As in other Southern European places (Carvalho et al., 2019; Picone, 2021; Rossi, 2022), touristification in this case is encouraged by the position of Lisbon in the global spatial division of labour. That is, a leisure space for transnational consumers, without which the property sector would have not been stimulated.

It is ironic that the EU bailout imposed the liberalisation of the private rental market, arguing that regulations were not allowing the correct function of the sector, in the sense that a more flexible rental law would incentivise landlords to put more supply into the rental housing market (Arbaci, 2019). The opposite outcome actually happened in the historic centre, to the extent that as hundreds of buildings lost their residential function, the number of households decreased 18 % in the period 2011–2021. In the area of Santa Maria Maior, where the concentration of STRs is higher, the loss of households was 29 %. In this regard, neoliberal urban planning, and its rhetoric that property markets work better when the state allows developers to behave 'undisturbed' by regulatory measures, in reality promotes developers and landlords' profits while excluding those who need a place to live. Rather than removing regulations, the state regulated in favour of capital, and absorbed the risks without which rehabilitation would not have occurred (Smith, 1996; Weber, 2002). This was also the case in Lisbon; in a perverse process by which taxpayers unwillingly subsidised their own displacement and the production of a city that is not for them.

CRediT authorship contribution statement

Ana Estevens: Investigation, Methodology, Resources, Writing.
Agustín Cocola-Gant: Investigation, Conceptualisation, Methodology, Writing, Project administration-Management, Funding acquisition.
Antonio López-Gay: Investigation, Methodology, Visualisation.
Fabiana Pavel: Investigation, Writing.

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Declaration of competing interest

The authors declare no conflict of interest.

Data availability

Data will be made available on request.

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