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## Gentrification without gentrifiers? Tourism and Real Estate Investment in Lisbon

Gentrificação sem gentrificadores? Turismo e Investimento Imobiliário em Lisboa

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**Abstract:** Tourism gentrification, first described by Gotham (2005), has become an expanding phenomenon in many cities during recent years. This is connected to the general expansion of tourism as one of the world's biggest industries, but real estate investment, utilizing tourism to extract rent, importantly contributes to the phenomenon. Lisbon is a perfect example for this interaction of touristic and financial flows. This article, based on in-depth interviews and on analysis of official documents, newspaper articles, and statistics, reveal a complex picture of the interaction of long-term pre-conditions (the widespread abandonment and degradation of Lisbon's central neighbourhoods), new public policies (in housing as well as finance) at different levels, introduced in the context of austerity and, finally, global flows of investment into real estate as much as tourism. All this finally causes the rapid transformation of Lisbon's historical centre: from a physically degraded area with few and largely poor inhabitants to an extremely popular destination for tourism and real estate investments, leading to renovation and revitalisation, provoking the displacement of the area's original inhabitants, and producing neighbourhoods without a consistent stable population, as the "gentry" – in the most traditional definition of the term – does not exist. **Keywords:** tourism, gentrification, urban regeneration, urban policies, real estate investment

**Resumo:** A gentrificação turística, descrita pela primeira vez por Gotham (2005), tornou-se um fenómeno em expansão em muitas cidades nos últimos anos. Isto deve-se ao crescimento generalizado do turismo, mas também ao investimento imobiliário, que utiliza o turismo para extrair rendimento. Lisboa é um exemplo perfeito para esta interação entre fluxos turísticos e financeiros. Este artigo, baseado numa série de entrevistas semiestruturadas e na análise de documentos oficiais, artigos de jornais e estatísticas, revela uma imagem complexa de interação entre pré-condições de tempo longo (o abandono e a degradação dos bairros históricos de Lisboa), novas políticas públicas (no campo da habitação como no da finança) em diferentes níveis introduzidas no contexto da austeridade e, finalmente, fluxos internacionais de investimento no imobiliário como no turismo. Tudo isto causa, ao fim ao cabo, a transformação rápida do centro histórico de Lisboa de uma área fisicamente degradada com poucos habitantes com poucos recursos em um destino extremamente popular para o turismo e investimento imobiliário, trazendo renovação e revitalização, provocando a expulsão dos habitantes originais, e produzindo bairros sem uma população estável importante, faltando gentrifiers em termos tradicionais. **Palavras-chave:** turismo, gentrificação, regeneração urbana, políticas urbanas, investimento imobiliário

### Understanding the transformation of Lisbon's historical centre

In Lisbon the second half of the 20th century has seen a phase of degradation and abandonment caused by policies of rent freeze (since the beginning of the 20th century, reinforced after the revolution of the 25th of April 1974; DA SILVA, 2014), whose effect has been to make of the maintenance of buildings an almost impossible economic task. In the meanwhile, other policies, such as the support for mortgages for new houses (MENDES, 2017), the construction of roads and shopping centres – in an urban planning framework that favoured urban sprawl – combined with changing needs and expectations of the population, favoured the migration to the peripheries of the wealthier part of the population. This first,

important, step, which occurred in a relatively long period of time, allows to define a framework within which more recent events have not only accelerated the process of emptying of large parts of the historical centre, thus providing the perfect ground for gentrification processes, but also oriented such processes towards a very peculiar characterization of a “gentrification without gentrifiers”.

Gentrification is typically defined as a process in which a relatively poor and degraded (semi-)central neighbourhood is "discovered" by wealthy inhabitants (the “gentrifiers”), who start to settle there. This process may occur more or less spontaneously, but more often is, at least from a certain point onwards, driven by public policies and/or private investment strategies. Gentrification leads to the transformation of the neighbourhood in several ways, most importantly because of the direct and indirect displacement of its former inhabitants (GLASS, 2010 [1964]; MARCUSE, 1985; LEES et al., 2008). The term, since Ruth Glass (2010 [1964]) first coined it, has been used widely for very diverse cases for which different explanations have been proposed (LEES et al., 2008). From Smith’s (1979, see also below) rent-gap theory, to the role of public policies (VIVES MIRÓ, 2011; SLATER, 2012), from the search for authenticity in the ‘urban village’ by the gentrifiers (ZUKIN, 2009), to large-scale capital investment into real estate (HACKWORTH and SMITH, 2001; SMITH, 2002;), to tourism (GOTHAM, 2005). Particularly relevant, in our case, then becomes the concept of urban tourism (ASHWORTH and PAGE, 2011), and of “new urban tourism” in specific, which is seen as the phenomenon for which in recent years “typical” and “authentic” neighbourhoods beyond classic tourist routes and without specific landmarks have been appreciated by tourists, precisely for their feeling of “everyday life” (MAITLAND, 2010; DIRKSMEIER and HELBRECHT, 2015; KAGERMEIER and GRONAU, 2017). These are, often, the same neighbourhoods subject to gentrification. Due to the transformation of residential space into space for tourists (both in terms of apartments as and of commercial and public spaces), (new) urban tourism can contribute to gentrification through tourism. In Lisbon, this gentrification can be described as “without gentrifiers” because the old residents are not substituted by new wealthy and permanent residents. Tourists, thus temporary users, substitute previous residents. Similarly, Cócola Gant (2016) described this phenomenon for Barcelona, using the concept of “collective displacement” to indicate that it is not just a specific social group that is being displaced, but the entire population of the neighbourhood’s residents.

Among recent events that have influenced the transformation trajectories of large part of Lisbon’s historical centre, the liberalization of rents (DA SILVA, 2014), and urban rehabilitation processes, which gained a more neoliberal face oriented at the attraction of private capital (MENDES, 2013, 2017, 2018), played a major role in the context of the financial crisis, creating the pre-conditions for new investment in the city centre. This space of investment has, in fact, been filled largely with international capital, attracted also by specific policies (the Golden Visa Programme and the tax regime for non-regular residents), and has been made profitable thanks to a strong and fast growth of tourism, both as a result of global dynamics, such as the generalized growth in tourism (UNWTO, 2017), and specific national and local policies, such as the introduction of ‘local lodging’ (AL, Alojamento Local), a scarcely regulated form of tourist accommodation (MENDES, 2016a). These related processes caused a series of impacts on the city centre, both positive and negative ones. On one hand it is possible to witness the revitalisation of formerly depressed areas, while, on the other one, the displacement of inhabitants is paired with signs of “disneyfication” (HARVEY, 2012; MENDES, 2016b).

The following paragraphs will first briefly introduce the urban context of Lisbon and then explore the most important elements that played a role in the city’s transformation process, from rent liberalization to the attraction of tourism.

## Lisbon becoming a booming tourist destination for an international gentry<sup>1</sup>

To understand gentrification processes in Lisbon, and in specific those related to tourism and real estate investments, the analysis focuses on areas of the city that present a strong tourist flows (Fig. 1).

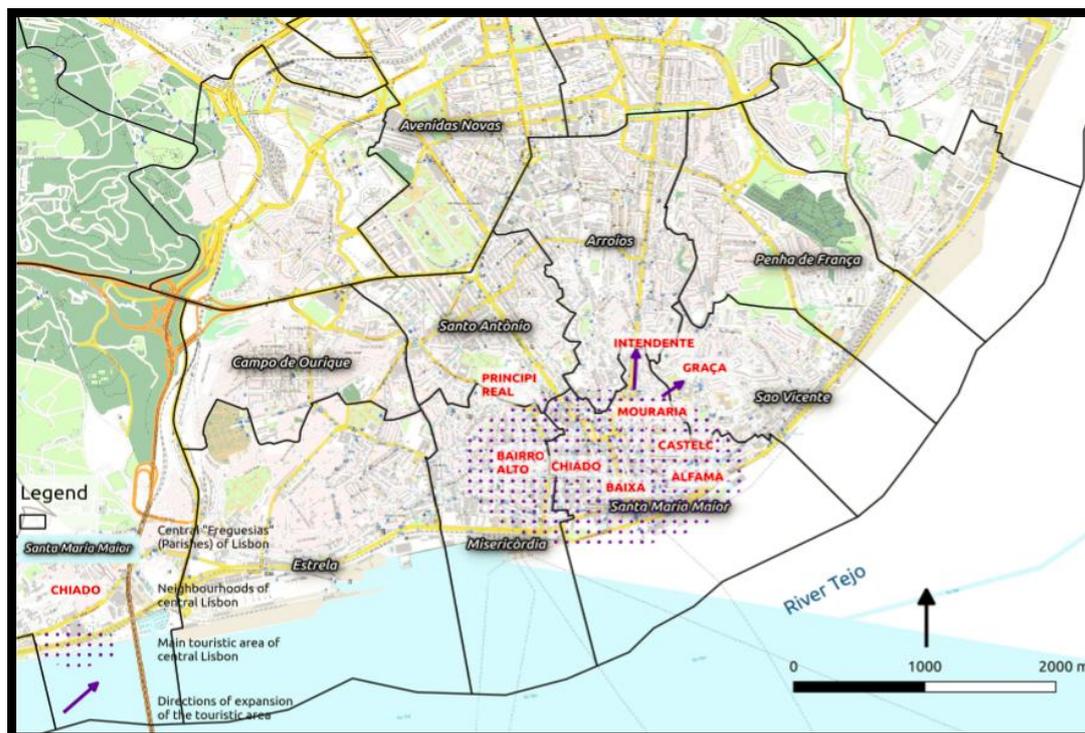


Fig. 1 – Central areas in Lisbon with strong tourist flows.

In 2011, the Municipality of Lisbon (henceforth Lisbon) had around 550.000 inhabitants, decreasing to around 500.000 in 2017<sup>2</sup>, having already decreased from more than 800.000 inhabitants in 1981. Lisbon is part of the wider metropolitan area of Lisbon, which covers 18 municipalities, which had had 2.5 Million inhabitants in 1981, growing to 2.8 Million inhabitants in 2011, and then stable until 2017<sup>3</sup>. Lisbon is furthermore divided into 24 districts (*freguesias*). The central ones, that are relevant to this article, had the following number of inhabitants in 2011<sup>4</sup>: Santa Maria Maior (12.765); Misericórdia (13.041); Santo António (11.855); São Vicente (15.399); Arroios (31.634). These five districts had thus an approximate population of 84.000 people in 2011. In this area we analyse how the production of a rent-gap has become a trigger for further transformations that led, ultimately, to a gentrification process.

### *The production of a rent-gap*

Smith's classical rent-gap model of gentrification (1979) hypothesises that thanks to disinvestment in a certain area, if a gap between the capitalized ground rent (what landowners currently earn) and the potential ground rent (what landowners can earn if they put the area again into its "highest and best use"; SMITH, 1979: p.543) becomes large enough to make investment profitable, transformation will occur. Though it may not be so anywhere, it seems that in Lisbon this classic model is useful, especially to explain a central precondition for the

<sup>1</sup>For information on the methodology see: Krähmer (2017)

<sup>2</sup>Source: [www.pordata.pt/Municipios/Popula%C3%A7%C3%A3o+residente++estimativas+a+31+de+Dezembro-120](http://www.pordata.pt/Municipios/Popula%C3%A7%C3%A3o+residente++estimativas+a+31+de+Dezembro-120).

<sup>3</sup>See footnote n. 4.

<sup>4</sup>Source: <http://www.cm-lisboa.pt/municipio/juntas-de-freguesia/> (last access on November 6, 2017) – No recent data is available on a infra-municipal scale.

process: the city, in the second half of the 20<sup>th</sup> century, experienced a very strong loss of population which led to the abandonment and consequent physical degradation of many buildings in the historical centre (MENDES, 2013; ABRANTES, 2014). This occurrence precisely helped to build a rent-gap between actual and potential ground rent, like Smith has theorized (MENDES, 2017). This abandonment is usually explained with the combination of rent control and suburbanization during the second half of the twentieth century. In Portuguese cities, in fact, rented housing plays an important role (in 2001<sup>5</sup> in Lisbon less than 50% of housing units were owner-occupied, SILVA NUNES, 2005, while in Portugal in 2016 around 75% of the population lived in houses they own<sup>6</sup>), which is why the evolution of the rental market is so relevant to the process of gentrification. Portugal had, since the beginning of the 20<sup>th</sup> century, a strictly regulated rental market, reinforced after the revolution of 1974. Rents for long periods could not be increased at all and, later, only following ministerial coefficients that remained below the inflation rate. This led to extremely low rents, far below market values. Furthermore landlords had to continue the contracts as long as the tenants desired it (DA SILVA, 2014). Consequently, landlords were neither encouraged to rent their buildings, nor to maintain them in good shape, because they could not even repay the related costs with the rents. As home ownership was also promoted through easy access to mortgages (MENDES, 2017), this had the effect of transferring much of Lisbon's population to the suburbs and leave the centre with many abandoned buildings and with a smaller and relatively poor population that could hardly afford to buy a house, therefore remaining in rented housing that were often in very bad conditions. As shown above, the number of inhabitants in the municipality has decreased during the last decades, while it has grown in the metropolitan area. In 2011, for instance, in the *Freguesia* of *Santa Maria Maior* (the parish corresponding to most of Lisbon's historical centre), 50,3% of the buildings needed maintenance, 9,4% were severely damaged, 32,4% were empty. Furthermore, 23,5% of the rented apartments was occupied with a monthly rent that was below 50€. Resident population had diminished by 8,5% compared to 2001 (CENTRO DE ESTUDOS DE SERVIÇO SOCIAL E SOCIOLOGIA, 2015).

It can therefore be affirmed that Lisbon's historical centre entered the 21<sup>st</sup> century with a high degree of abandonment, a decreasing population, a very low capitalized ground rent and, to a certain extent, a highly potential ground rent. A situation created by a legislation that intended to protect tenants, in fact, resulted in bad living conditions and, consequently, ended up being counterproductive. These central city areas actually had a high potential ground rent due to their accessibility, strategic and central location, cultural values regarding the appreciation of historic cityscapes, and general environmental qualities. Thus, the rent-gap has been a fundamental condition for recent investment in Lisbon.

A real estate investor put it like this:

And it was just the discrepancy, you know the acquisition per square meter was very attractive compared with other cities and we anticipated that it will be a lot of people moving to Portugal. So it was a good combination of investing at the bottom of the market, combined with very strong demand and people moving here (KRÄHMER, 2017, p. 101).

The Decree-Law 321-B of 1990 can be considered as the first step to unblock the previous situation, making the standard rental contract limited to an (extendable) duration of five years and introducing major possibilities to raise rents. However, this new regulation did not affect existing contracts, thus limiting its effects on the historical city (DA SILVA, 2014). In 2006, the law 6 introduced further changes, including the possibility to modify pre-existing

<sup>5</sup>No more recent data is available.

<sup>6</sup>Data source; <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20171102-1?inheritRedirect=true>.

contracts, but made this very complicated: three different regimes of rental contracts were created, without reaching the goals of increasing rental attractiveness and without incentivising the renovation of old buildings (ibid.). What the new legislation succeeded in was, instead, to substantially increase the landlord's possibilities to resolve the rental contract. Furthermore, the global financial crisis brought Portuguese governments to adopt austerity policies required by the EU "Troika", determining a set of incisive measures. Law 31/2012, prescribed in the 2011 "Troika" Memorandum of Understanding, put into practice the unblocking of the rental market in central Lisbon. It made it easier to change existing contracts and rise the rents, reducing the standard contract duration from five to two years, eliminating the minimum contract duration, and facilitating landlords in ending contracts and evict inhabitants (DA SILVA, 2014).

As regards urban rehabilitation, since the 1970s, related policies were set up in Portugal by the state and the relevant municipality, to promote the renovation of the largely degraded historical housing stock. Initially these were publicly funded, mainly through subsidies, interest-free loans and tax exemptions for landlords willing to renovate, and locally coordinated by local technical offices (*Gabinetes Tecnicos Locais*). The aim was to keep the population in place, carefully organizing temporary housing, when strictly necessary and seeking their agreement, avoiding therefore expulsions (MENDES, 2013). This approach to urban rehabilitation resonates, except maybe for a lack of attention for economic regeneration, with what was later known as the EU integrated approach, that has been promoted through community initiatives (e.g. URBAN I and II) and dedicated funds within the broader EU funding mechanisms (e.g. funds for former industrial areas or to valorise built heritage, both usually present in cities). The limit of those Portuguese experiences was that these policies required a very high public investment, which the municipality was not able to guarantee in the long term and on the whole historical centre. The lack of funds became especially problematic with the cuts in public spending due to the financial crisis. Consequently, at the beginning of the 21<sup>st</sup> century, new approaches started to be experimented, which might be defined as neoliberal since they tried to overcome the limits of public intervention by stimulating landlords to renovate their own housing stock or, as a crucial alternative, to attract investors (MENDES, 2013, 2016a), also launching municipal housing stock into the marketplace. A central element in these new policies has been that the public institutions, while retreating from a direct role in the amelioration of the housing stock, invested in public spaces in order to attract private investment in the buildings surrounding them. A good example for this is the renovation of the *Largo Intendente*: the mayor moved his office there, marking with the physical presence of the municipality the importance given to the operation and, at the same time, showing to investors the potential of the area.

#### *Closing the rent-gap: Investments and the attraction of global capital*

Capital is obviously necessary to actually close the rent-gap. In the case of Lisbon, a consistent part of this investment comes from abroad. This capital is, in fact, largely available for investment in real estate on a global level (PRICEWATERHOUSECOOPERS and URBAN LAND INSTITUTE, 2016) but, of course, it has to be attracted to Lisbon. Laws and approaches described above played a crucial role, but specific laws also provided an attractive tax regime and the possibility to access to residence permits, which have importantly contributed to the recent process of gentrification in Lisbon.

#### *Tax regime for non-regular residents*

The Investment Tax Code, defined by Decree-Law n. 249/2009<sup>7</sup>, designed for EU citizens, "implemented a Personal Income tax system for the non-regular resident, with the

<sup>7</sup>Further modified by Law 20/2012.

purpose of attracting to Portugal non resident professionals qualified for activities with high added value intellectual or industrial propriety or know-how, as well as beneficiaries of pension schemes granted abroad” (AUTORIDADE TRIBUTARIA E ADUANEIRA, 2016, p.2). The Code attributes a special tax regime for a duration of 10 years (that may be interrupted) to whoever establishes fiscal residence in Portugal: the interested person has to spend at least 183 days a year in Portugal or to “dispose of a home in conditions that show the intention to maintain and occupy it as a regular residence”, (Art.16, Paragraph 1, letter b of Codigo IRS 2017, translation by the authors), and should not have resided in Portugal for at least the previous five years. This special tax regime is valid for people employed in activities with high added value, but also pensioners, and consists in a flat income tax of 20%, independent from the amount of income (far lower than regular Portuguese Income Tax, which, according to the income level is between 14,5% and 48% (Article 68, Codigo IRS 2017)). Furthermore, incomes obtained abroad, pensions in specific, are generally tax exempt in Portugal: in theory, in fact, these might be taxed in the state of origin but, considering that most European states signed agreements to avoid double taxation and that such agreements are based on the idea that income is taxed in the state of residence, such incomes are finally tax exempt<sup>8</sup>. Thus, many pensioners come to Portugal, especially from France, to take advantage of this regime: according to data from the Ministry of Finance<sup>9</sup>, between 2009 and 2012 there were around hundred requests a year, in 2013 they grew to around 1000; in 2016 there were already 10684 people living in Portugal under this regime. A flat tax of 20% is much less than people with a relatively high income have to pay in most places. And for those who receive a pension in a country like France, with higher living costs, it can be economically convenient to live in Portugal where those costs are lower. Consequently, it became attractive for those categories to buy a house or a flat in Portugal, in order to establish a second residence there. Being this strategy oriented to people with medium-high income, it is no surprise that they are interested in a high standard of living, with the consequent impact on the property market. Many people moving to Lisbon live there only for part of the year, and rent their houses to tourists during the remaining period. Interesting tax regimes and tax exemptions, however, are not the only mechanisms that have been put in place to attract what we may define as small-scale investors (e.g. those interested to buy one flat or one house). Other instruments have been considered to further attract such investors and to also mobilise real estate companies in large scale investments in Lisbon central area, in particular the Golden Visa (Mendes, 2016a, 2017).

### *Golden Visa*

The Portuguese ‘Golden Visa’ programme, officially called Residence Permit for Investment Activity, has been introduced in 2012 by law 29, and changed by law 63 in 2015. It grants a visa for one year, renewable for two-year-periods, which can lead after five years to a permanent residence permit and after six to Portuguese citizenship. The requirement to obtain this visa is to invest in Portugal (for a duration of at least five years) in different ways and with different amounts<sup>10</sup>.

<sup>8</sup><https://www.dinheirovivo.pt/economia/beneficios-no-irs-trazem-dez-mil-estrangeiros-para-portugal-mais-44/> (last access on December 7, 2017)

<sup>9</sup>[www.dn.pt/dinheiro/interior/vantagens-fiscais-oito-mil-estrangeiros-ja-pediram-para-viver-em-portugal-5067836.html](http://www.dn.pt/dinheiro/interior/vantagens-fiscais-oito-mil-estrangeiros-ja-pediram-para-viver-em-portugal-5067836.html) (last access on August 13, 2017)

<sup>10</sup>What can be invested is, alternatively: capital transfer for at least 1 Million €; creation of at least 10 jobs; investment in arts, culture, and national heritage for at least 250.000€; investment in research for at least 350.000€; investment in small and medium enterprises for at least 500.000€; investment in real estate for at least 500.000€, reduced to 350.000€ if the property needs refurbishing and is older than 30 years or located in urban renewal areas (as most of Lisbon and all its historical centre is) (Law 63, 2015).

The only other requirement is to spend at least seven days in Portugal in the first year, and fourteen days in the subsequent two years periods. Being Portugal member of the EU, the visa also entitles free travel across the Schengen area, which evidently is a main attractive for non EU-citizens. The number of companies advertising the programme hints to a great interest in the topic and, in fact, data shows that from 2012 to September 2018 about 6500 residence permits for investment have been issued, corresponding to a total investment of around 3 billion Euros in Portugal (SEF, 2018). Main motivations for investors when choosing to apply for a golden visa programme are the desire to open new investment opportunities or to save on taxes, but also to have access to a free and safe country along with the possibility to travel to many other countries without a visa<sup>11</sup>. Consequently countries with restrictions on personal and economic freedom, such as China, are an important source of investors. Around 95% of the investment is going to real estates (SEF, 2018), with impacts on gentrification processes. Furthermore, the extremely limited amount of time that is requested to spend in Portugal does promote two strictly connected phenomena: on one hand the number of housing units that are empty for the most part of the year increases, thus generating entire neighbourhood of potentially wealthy inhabitants (the “gentrifiers”) that actually do not live there; on the other hand, to maximise the profits from the investments, the investors often rent the housing units, usually to tourists. The following paragraphs focus on the phenomenon that ultimately allows the existence of a gentrification without gentrifiers: tourism.

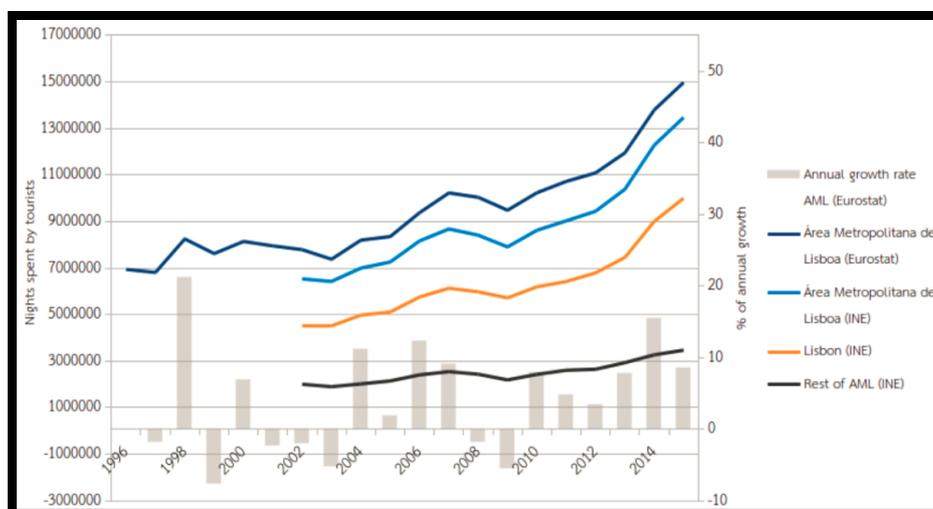


Fig. 2 – Nights spent by tourists in Lisbon, 1996-2015<sup>12</sup>

A consistent growth began in 2004 (excluding a one-time peak in 1998, linked to the EXPO in that year), which is actually before direct or indirect effects due to the changes in laws and regulations could be clearly identified and measured, but it interrupts between 2008 and 2009 (presumably due to the start of the global financial crisis), starting again in 2010 and accelerating since 2013, to have now annual growth rates of around 10%. To highlight the major importance of foreign tourism at the municipal level, it must be noted that, in 2015, foreign tourists amount to 70% of the nights spent in the metropolitan area (80% in Lisbon). Data furthermore shows that, not only the vast majority of tourism in the metropolitan area concentrates in Lisbon, but also 56% of the tourist facilities (that is, basically, hotels) in the metropolitan area are localized in Lisbon, and as much as 71% of the local lodgings.

<sup>11</sup><http://www.bbc.com/capital/story/20170530-why-citizenship-is-now-a-commodity>,  
<http://nomadcapitalist.com/second-passport/>.

<sup>12</sup>Data sources: INE (www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine\_base\_dados, 2017) and EUROSTAT (http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=tour\_occ\_nin2&lang=en, 2017).

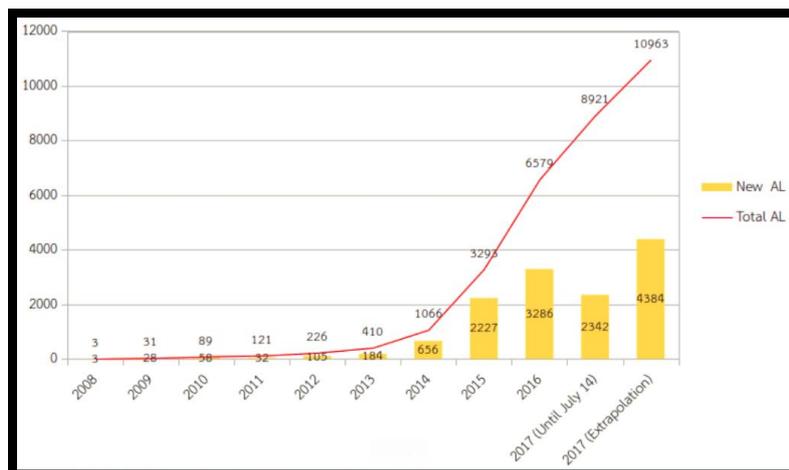


Fig. 3 – Evolution of AL in Lisbon since its introduction

In the *Freguesia Santa Maria Maior* alone, corresponding to large parts of the historical centre (neighbourhoods of *Alfama*, *Baixa*, *Castelo*), with 12765 inhabitants in 2011 (CENTRO DE ESTUDOS DE SERVIÇO SOCIAL E SOCIOLOGIA, 2015), that is 2,4% of Lisbon’s population, around 19% of the hotels was localized and 25% of the local lodging units<sup>13</sup>. As we will see in the following paragraphs, this growth has not been accidental but produced by a series of policies and external conditions: from the deregulation of tourist rentals to the support of low-cost air transport.

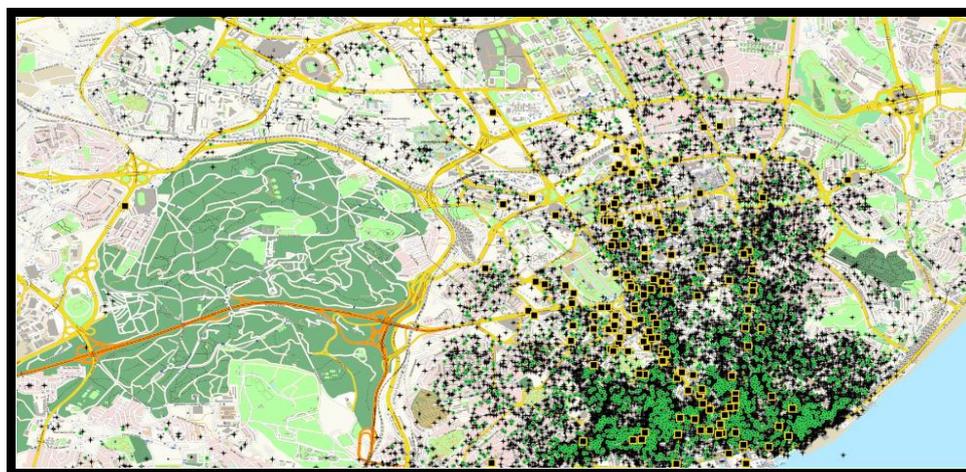


Fig. 4 – Hotels, AL, Airbnb in Lisbon, 2017

The growth in the presence of low-cost airlines is a factor that is increasingly considered important for the growth of tourism. The two main low-cost airlines active at Lisbon Airport are Easyjet (which opened a base in Lisbon in 2012) and Ryanair (2013). Air transport in general is central to tourism in Lisbon, as 95% of foreign tourists reach Lisbon by plane (OBSERVATORIO TURISMO DE LISBOA, 2016). The total number of passengers at Lisbon Airport has also been growing very fast in the last ten years: the total growth from 2007 to 2016 is of +65%, while air transport in Europe generally has only grown by 19% in the same period<sup>14</sup>). It is important to point out that the arrival of low-cost airlines has not been simply an effect of the “free market”, but consequent to a deliberate public policy of incentives and subsidies to attract them, after the recognition of the lack of low-cost flights to

<sup>13</sup>Data source: National Tourism Register (<https://rnt.turismodeportugal.pt/RNAL/ConsultaRegisto.aspx?Origem=CP&FiltroVisivel=True>).

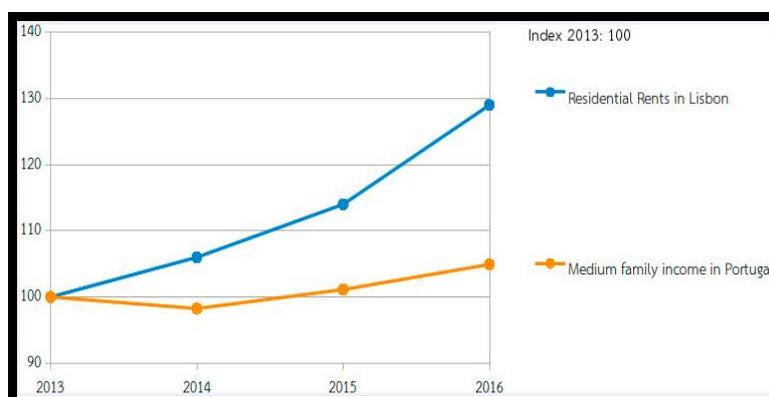
<sup>14</sup>Data source: <https://ec.europa.eu/eurostat/web/transport/data/main-tables>.

Lisbon not only at the academic (COSTA, et al., 2005) but also the political level of strategic planning for tourism (DE MATOS, 2015). First subsidies to attract new flight routes to Portugal originated from the government's programme to reduce the impacts of the economic crises in 2008/2009, but there are more modest incentives, also in terms of marketing since 2003<sup>15</sup>. Since 2007 there has been in place a general programme of incentives for airlines, based on the national strategic plan for tourism and paid for by the national and local tourism associations and the airport operating society, open to all airlines, but that gave benefits especially to low-cost operators<sup>16</sup>. The goal of these incentives is to stimulate airlines to open new routes and/or augment their capacities and frequencies<sup>17</sup> and attract more tourists<sup>18</sup>. In this sense the incentives certainly have been a success.

### *Exogenous causes for tourism in Lisbon*

Beyond local and national decisions there are also other factors for the growth of tourism in Lisbon. Three important exogenous factors deserve to be signalled and, even if they will not be analysed in detail, they need to be taken into account in order to fully understand the phenomenon. In first place there is a generalised, global, growth of tourism. The development in Lisbon, in fact, cannot be seen independently from the importance tourism has assumed during the last decades at the global level. The UN World Tourism Organization's data highlights the economic relevance of tourism, and few examples can clarify this importance: it is responsible for 10% of the world's GDP and 7% of global exports, international arrivals doubled between 2000 and 2016 and further growth is expected (UNWTO, 2017). A specific contribution to Portugal's success in recent years has been the political crisis in Northern Africa and the Middle East, leading to insecurity in these destinations and making tourists and the tourist industry look for alternative destinations. Portugal in this has been a good option having a not too dissimilar price level and climate and thus, presumably, this fact contributed to the fast growth in Lisbon (KRÄHMER, 2017). The third factor, finally, regards the increasing importance of the "new urban tourism" This type of tourism, mainly refers to the growing interest in "typical" and "authentic" neighbourhoods, like the ones in central Lisbon (MAITLAND, 2010).

### *2.5 Impacts*



<sup>15</sup><http://sergiopalmabrito.blogspot.it/2017/03/nota-pontual-sobre-apoio-do-turismo-de.html>.

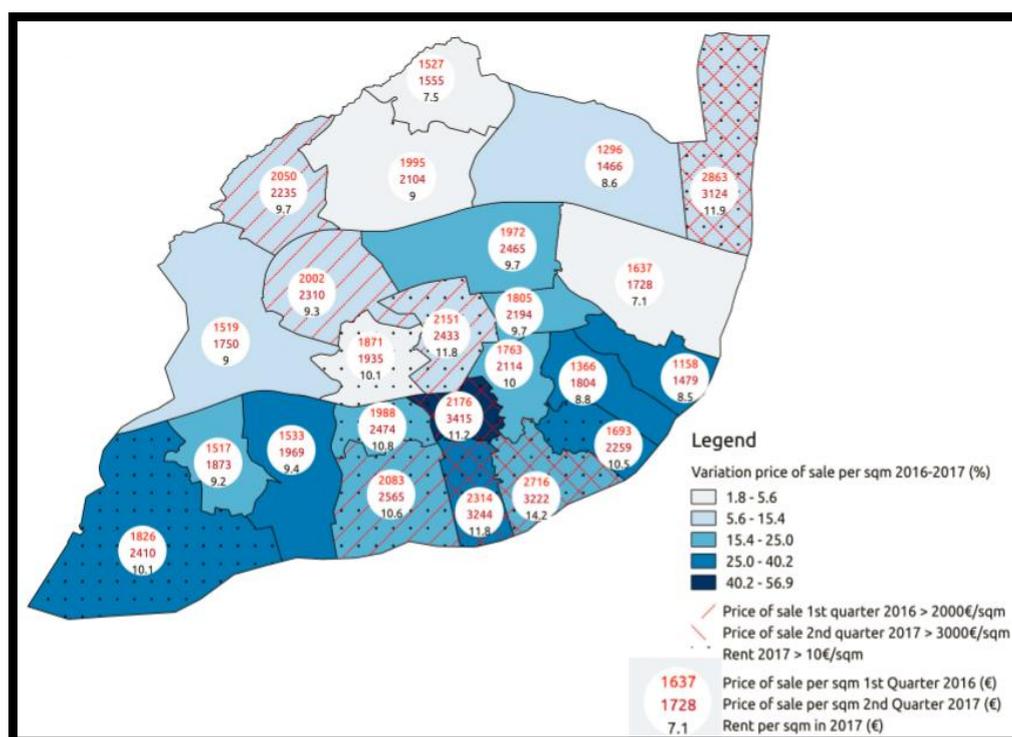
<sup>16</sup><https://www.publico.pt/2011/08/25/economia/noticia/low-cost-receberam-maior-parte-dos-apoios-para-a-criacao-de-rotas-1509103>.

<sup>17</sup><https://www.jn.pt/economia/interior/ana-vai-dar-incentivos-a-companhias-aereas-que-aumentem-passageiros-4431427.html>.

<sup>18</sup><https://www.publico.pt/2017/03/04/economia/noticia/turismo-de-portugal-ja-distribuiu-oito-milhoes-de-euros-para-apoiar-abertura-de-novas-rotas-1763974>.

Fig. 5 – Evolution of Income and Rents<sup>19</sup>

Fig 6 shows how the phenomenon is spatially distributed over the *freguesias* of Lisbon, both in terms of rent and of offer price. It is evident how the evolution of offer prices has been especially strong in the historical centre and along the river – the main touristic areas, with price increases of up to 56,9% in fifteen months, in the case of *Santo António* (where the “hipster” *Príncipe Real* is located, an area that has been subject to a huge upscale residential and commercial renovation project by the US American Eastbanc during the last years; Gato, 2016), an above 25% in many other areas. Looking at absolute values, it is of little surprise that areas of high rent and of high offer prices coincide: for instance, the most touristic areas in the *freguesias* of *Santa Maria Maior* and *Misericórdia* have among the highest rents and highest offer prices. Especially *Santa Maria Maior*, *Misericórdia* and *Santo António* reached an offer price of over 3000€ per m<sup>2</sup> in the second quarter of 2017. Only *Parque das Nações*, the neighbourhood newly built for the Expo 1998 and from the beginning planned as a high standard area, has comparable prices.

Fig. 6 – Rents and Offer Prices in Lisbon, 2016-2017<sup>20</sup>

The trend of rents, compared to the evolution of the medium family income in Portugal (on the municipal level data isn't available, but it seems plausible to assume that the trend is similar), shows a clear divergence, indicating that an always greater component of the family income has to be dedicated to housing in Lisbon (fig. 5). The rise of rents (compared to medium income), as well as the change in the commercial structure in redeveloped areas, make clear that the new, beautifully renovated central city is accessible to a certain typology of users, not to the relatively poor and old and/or migrant population of Lisbon's central

<sup>19</sup>Data sources: <http://visao.sapo.pt/actualidade/economia/2017-07-01-As-rendas-loucas-de-Lisboa-e-do-Porto> for rents and [www.pordata.pt/ThemeSubThemes.aspx?DatabaseName=Portugal&ThemeName=Rendimento+e+Despesas+Familiares&ThemeId=8&](http://www.pordata.pt/ThemeSubThemes.aspx?DatabaseName=Portugal&ThemeName=Rendimento+e+Despesas+Familiares&ThemeId=8&) for income.

<sup>20</sup>Data sources: <http://visao.sapo.pt/actualidade/economia/2017-07-01-As-rendas-loucas-de-Lisboa-e-do-Porto> for rents and <https://geohab.ine.pt/> for offer prices .

neighbourhoods and to a large extent not even for the Portuguese middle-class<sup>21</sup>. Furthermore, it has been estimated that there will be a generalised reduction of 33% of housing dedicated to long-term rental in Portugal between 2011 and 2016<sup>22</sup>.

Rising rental prices, decreasing availability of long-term rental, rising offer prices, change of the commercial structure, combined with factors of displacement pressure, such as crowding and noise, help to explain the tendency of displacement of the pre-existing population out of Lisbon's historical centre.

But transformations are occurring also on other levels of the city that can be referred to as standardization and disneyfication. The development of the waterfront, which has already been cited as a positive example of revitalisation, may also be criticised for using a standard global style (similar to what HARVEY, 2012, wrote about Barcelona). In the same manner, a great number of renovated buildings have only the façade left of the original construction, while the interior is completely reconstructed. Finally, a gentrification researcher observes that “(...) the neighbourhoods are losing their life and you begin to have a disneyfication of the city. The historical neighbourhoods, many are saying, are becoming theme parks and the Portuguese, instead of being inhabitants, are becoming background actors in this play, in which the tourist is the protagonist” (Mendes, in KRÄHMER, 2017, p.103)<sup>23</sup>. A common concern linked to these impacts is that they may contribute to a loss of interest by tourists themselves: “People want what is typical of a place. (...) I think the market itself will, at a certain point, say ‘Attention to this normalization of touristic products (...)’”, as André Moura, a tourism official put it<sup>24</sup> (KRÄHMER, 2017, p.106). This phenomenon is linked to what is commonly referred to as “disneyfication”: the artificial reproduction of authenticity in a sophisticated way, the construction of places that appear to be diverse and spontaneous but, in fact, are meticulously planned by a single economic actor. Nofre (2013) wrote about *Pensão Amor*<sup>25</sup>, a night club in *Cais do Sodré*, located in a building that once had been frequented by sailors and prostitutes, but now targets upper middle-class consumers, using the aesthetics of bohemia, referring explicitly to its past as a brothel, but not allowing members of lower classes, blacks or migrants from former Portuguese colonies to enter: “The vintage nightlife has been de-politicized, socially sanitized, and morally controlled” (NOFRE, 2013: p. 117). *Pensão Amor* has been developed and is owned by the real estate company *Mainside*<sup>26</sup> that also owns other clubs as well as hotels and *Lx Factory*<sup>27</sup> (ibid.). The latter is a place of cultural production in the *Alcântara* neighbourhood (at the margin of the historical city) that uses all kinds of signs of cultural diversity to look like a place that popped up spontaneously from bottom-up initiatives. Another example is the *Mercado de Fusão* on the *Martim Moniz* square in the neighbourhood of *Mouraria*: a “market” made of ten permanent kiosks selling food from around the world, in which “diversity can be consumed” (MENDES et al., 2016: p.123). It appears to be a multicultural market, but is actually managed by a single company, *NCS*<sup>28</sup>, which mainly sells audio systems that, by the way, has its headquarters in *Lx Factory*. Interestingly, this happens in a neighbourhood which is indeed

<sup>21</sup>In several interviews I was told that even for families with enough income available to pay high rents it is hard to actually find an apartment in central Lisbon, because there is just very few offer for long-term rental (KRÄHMER, 2017).

<sup>22</sup><https://www.publico.pt/2016/06/05/economia/noticia/oferta-de-casas-para-arrendar-caiu-33-em-cinco-anos-e-rendas-dispararam-1734086>.

<sup>23</sup>See also: [www.publico.pt/2016/06/05/local/noticia/alfama-nao-se-quer-ser-uma-disneyland-para-turista-ver-1734166](http://www.publico.pt/2016/06/05/local/noticia/alfama-nao-se-quer-ser-uma-disneyland-para-turista-ver-1734166).

<sup>24</sup>Stating only his personal opinion.

<sup>25</sup><http://www.pensaoamor.pt/PT/>.

<sup>26</sup><http://mainside.pt>.

<sup>27</sup><http://www.lxfactory.com/EN/welcome/>.

<sup>28</sup><http://www.ncs.pt/mercadodefusao.php>.

very multicultural but where multiculturalism is used as a marketing tool, allowing the general gentrification process of Lisbon's centre (ibid.). All these examples are connected by the fact that they creatively use and reassemble cultural elements in a sophisticated manner. The result is in the end an exclusive (because expensive) product, but with a sufficiently authentic appearance to appeal to the tastes of new urban tourists.

### Conclusions

The transformation of Lisbon's historical centre, that has been referred to as a gentrification process, has been caused by a more or less accidental coming together of a series of actions by a number of actors – at international, national and local levels – active in diverse sectors as urban rehabilitation, real estate and tourism. Only in part this outcome has been planned – certainly there were clear political intentions to try to attract tourism and to reactivate the real estate market, but the combined impact of these strategies has not been completely foreseen. This process has been extremely successful in the renovation and revitalisation of the historical neighbourhoods of Lisbon, especially in terms of their new and positive image and as regards the creation of a high number of new (albeit often precarious) jobs. Gentrification, however, has also a very problematic social impact, displacement. It is in this phenomenon that, paradoxically, lies a potential risk also to the tourism development itself (KRÄHMER, 2017): the loss of identity caused by excessive tourism (“disneyfication”) in some areas reduces its attractiveness for many tourists that are in search of “authenticity”. This type of gentrification, a mainly tourism-led gentrification, is largely occurring without gentrifiers, in the sense that no new stable population comes to Lisbon's centre and therefore neighbourhoods are losing their citizens, without substituting them with other more or less permanent inhabitants, even if from a different social class. Very much like the “collective displacement” Cocola Gant (2016) describes for the case of Barcelona. Even if, as said before, gentrification, displacement and disneyfication have not been the intentional outcomes of the policies put in place, but rather a “collateral damage”, it might be argued that considering the long existing debate and knowledge on gentrification, these effects could have been anticipated but that they simply have not been considered as important enough by decision makers to try to mitigate them. While critical observers of the gentrification phenomenon in Lisbon tend to have a quite balanced representation of the process, seeing it negatively in its social outcomes, but recognising the positive effects it also has (see interviewees in KRÄHMER, 2017, pp.97-110), who is clearly in favour of the development, in the real estate and the tourism sector, tends to evaluate the process as overwhelmingly positive, thus neglecting as irrelevant or not existent its negative consequences, brought up by the critics, and refusing any further regulation and limitation (ibid.). In any case, during the last few years, protests and debates have promoted some first steps to at least face the issue of gentrification in Lisbon, in particular laws 42 and 43 of 2017, the first protecting “shops with history”, the second changing the rental law to extend a series of terms in favour of tenants regarding the actualization of rents, the standard contract duration etc., while imposing higher compensation payments to tenants receiving end of contract notice due to reconstruction works. On the municipal level, in autumn 2017 elections have taken place and the process of touristification and gentrification has become a debated topic<sup>29</sup>. Some measures in relation to tourism gentrification have been announced<sup>30</sup>: an organism to control AL shall be established and, if the national law will be changed accordingly, after public discussion, maximum quota

<sup>29</sup>*Morar em Lisboa* is the main platform of protest: <http://moraremlisboa.org/2017/09/19/debate-os-candidatos-camara-municipal-lisboa/>.

<sup>30</sup><http://observador.pt/2017/11/02/medina-fecha-acordo-com-bloco-de-esquerda-e-entrega-pelouro-da-educacao-e-areas-sociais/>.

of AL per area will be defined<sup>31</sup>; a public “pillar” of 30% will be added to the Accessible Rent Program, which is mainly based on the construction of new buildings in public private partnership outside the city centre<sup>32</sup>. If these measures will be sufficient to maintain at least some parts of Lisbon’s historical neighbourhoods as spaces for their inhabitants instead of being only an “open air museum”, while the mayor, Fernando Medina, year after year argues for more tourism in Lisbon<sup>33</sup>, remains to be seen.

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<sup>31</sup><https://www.jornaldenegocios.pt/empresas/turismo---lazer/detalhe/fernando-medina-quer-camaras-a-gerir-autorizacoes-para-alojamento-local>.

<sup>32</sup> <http://www.lisboarendaaccessivel.pt/localizacoes.html>.

<sup>33</sup>In 2016: <https://observador.pt/2016/06/06/demasiados-turistas-medina-defende-que-lisboa-se-deve-preparar-para-receber-mais/> and: [https://www.jornaldenegocios.pt/empresas/turismo---lazer/detalhe/fernando\\_medina\\_ao\\_sei\\_o\\_que\\_e\\_ter\\_turistas\\_a\\_mais](https://www.jornaldenegocios.pt/empresas/turismo---lazer/detalhe/fernando_medina_ao_sei_o_que_e_ter_turistas_a_mais). In 2018: <https://24.sapo.pt/atualidade/artigos/fernando-medina-diz-ser-fundamental-preparar-lisboa-para-o-crescimento-turistico>.

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