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Vacant housing: territories, drivers and policies

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Executive Summary

In Portugal, the shortage of affordable housing stands in sharp contrast to the large number of vacant dwellings that could be mobilised to help address the housing crisis. Most vacant homes are located in high-density areas, precisely where housing demand is greatest. Furthermore, the majority are in a condition that would allow relatively rapid occupation.

In the areas under greatest pressure, persistent vacancy is largely explained by the retention of property as a financial asset, given the absence of significant costs or risks associated with keeping dwellings unused. International experience demonstrates that this situation can be addressed through policies that combine penalties for long-term vacancy with incentives and support measures aimed at bringing vacant homes back into use for affordable housing purposes. Portugal already has legislation moving in this direction, but municipal uptake remains limited, and implementation practices are still relatively incipient. This brief recommends strengthening and expanding integrated policies that combine pressure mechanisms and mobilisation measures in areas facing the greatest housing pressures, building on the existing legal framework.

Recommendations

- **Create a more enabling framework:** rental housing regulation, taxation, and undivided inheritances.
- **Geographically differentiated policies:** designed and implemented by local authorities
- **Encourage municipal action and strengthen their capacity**
- **Improve the legal framework:** improve vacancy identification procedures and data access; review and recalibrate exemptions from vacancy classification; strengthen support for housing rehabilitation
- **Develop more robust municipal practices:** integrate vacancy policies with local housing and planning strategies; clarify criteria for taxation surcharges and Urban Pressure Zones; provide mobilisation pathways; reorganise municipal services; strengthen inter-municipal coordination; and establish monitoring mechanisms.

Target Audience

Secretary of State for Housing; Institute for Housing and Urban Rehabilitation (IHRU); Tax and Customs Authority; Municipalities.

Introduction and Problem Statement

In Portugal, the shortage of affordable housing contrasts with the large number of vacant dwellings that could be mobilised to address the housing crisis. Vacant housing also generates negative impacts that should be addressed.

Bringing these homes back into use is essential for urban regeneration, the efficient use of existing infrastructure, services and facilities, and the reduction of the financial and environmental costs associated with urban expansion.

This study seeks to characterise, map and better understand vacant housing and its underlying causes, while also assessing policies aimed at mobilising vacant housing stock and the conditions affecting their implementation.

Scope and limitations

The study focuses on privately owned vacant housing located in areas of high demand. Publicly owned vacant buildings are excluded, although their mobilisation is considered urgent both to expand housing supply and to

strengthen the legitimacy of public intervention in private property markets.

The analysis also excludes unbuilt and undeveloped land, which requires separate assessment focused on taxation and planning mechanisms.

With regard to causal analysis and recommendations, territories experiencing demographic decline are likewise excluded, as the challenges they face are more complex and require complementary policies and reflection at regional and national scales.

Analysis: Measuring and Mapping Vacant Housing

Data: Census data are reliable, but better information is needed

In this study, vacant housing was quantified using two data sources: Census data (INE) and the count of electricity supply points with no active contract or with reduced consumption provided by E-Redes. The latter produced results broadly consistent with the Census, reinforcing confidence in official statistics. However, data cross-checking and field experience suggest that, in certain contexts, energy-consumption data may prove unreliable as an indicator of vacancy.

Census data therefore remain the most comprehensive and reliable source. Nevertheless, more precise and up-to-date information is required both to improve understanding of the issue and to support the effective design and implementation of public policies.

Underused housing: vacant homes and second homes

Portugal has the highest proportion within the OECD of dwellings not used as primary residences. According to INE statistical criteria, two categories are included here:

- Vacant dwellings: unoccupied homes. According to the most recent Census, there are 723,215 such dwellings, representing 12% of the national housing stock.

- Second homes: dwellings subject to various forms of partial occupation. This is the larger category, comprising 1,104,881 dwellings.

This study focuses exclusively on vacant dwellings. Nevertheless, second homes also generate impacts—both on housing markets and local economies—that vary across territories and should be considered in policy design.

Vacant homes are (also) located where they are most needed

Most vacant dwellings (69%) are located in high-density areas where housing demand is greatest. In the Lisbon and Porto metropolitan areas alone, the most recent Census recorded 243,608 vacant dwellings, 75% of which are in a condition that would allow near-immediate occupation. In all territories analysed, the number of vacant homes substantially exceeds the housing needs identified in municipal Local Housing Strategies [Fig. 1].

Different Territories, Different Challenges

Based on the statistical analysis developed during the study, five territorial profiles were identified [Fig. 2]:

1. Extreme Pressure:

Central areas of the metropolitan regions and the Algarve, characterised by very high prices,

intense real-estate dynamics and strong external demand. More than 80% of vacant dwellings are in acceptable condition, suggesting widespread property retention as a store of value and/or extensive non-residential and seasonal uses.

2. Metropolitan Areas Under Pressure:

Metropolitan peripheries characterised by strong appreciation and dynamic housing markets. Although vacancy rates are lower, they remain high. Considering the existing high demand levels, the market would be expected to have absorbed a larger share of vacant stock.

3. Territories in Transition:

The largest group, including many medium-sized cities, characterised by a relative balance between supply and demand dynamics.

4. Looming Fragility:

Territories experiencing population decline, where rising vacancy levels are partially offset by large numbers of second homes. These are often homes belonging to people who have left but still retain ties to their place of origin. Increasingly, however, they are becoming permanently vacant dwellings. It shows signs of convergence towards Comatose Territories.

5. Comatose Territories:

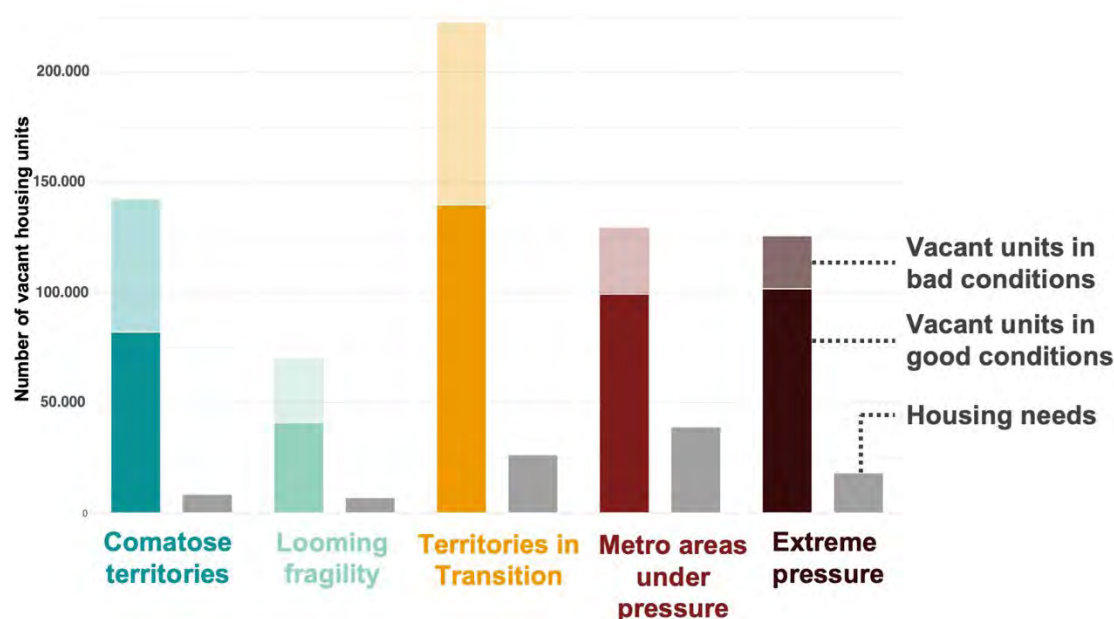
Areas marked by long-term population decline, ageing, weak economic performance and low attractiveness, with very high and steadily increasing vacancy levels.

The analysis shows that:

- In territories experiencing population loss, **demographic decline, low attractiveness, and lack of economic dynamism** emerge as the primary drivers, leading to a very high and continuously growing number of vacant lots.
- In high-demand areas, **property retention** as a financial asset emerges as the key factor. Vacancy rates are highest in parishes with the strongest price growth and housing pressure, while a large share of vacant homes remain in acceptable condition. Despite this, vacancy has declined slightly over the past decade, reversing the trend observed in previous decades [Fig. 3].

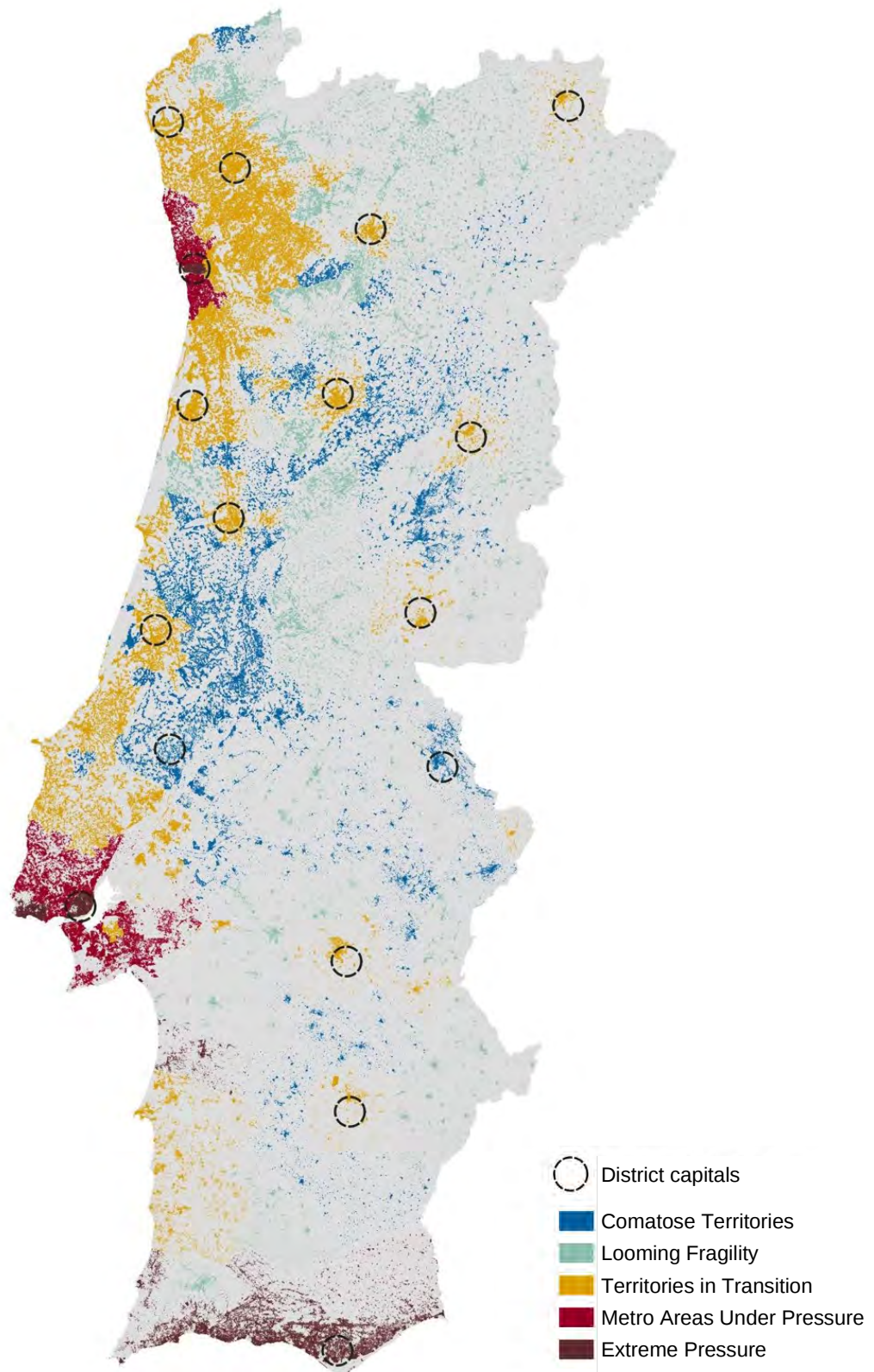
These contrasting profiles demonstrate that vacancy has different causes and characteristics across territories and therefore requires **differ-entiated, locally designed and implemented policy responses**

Fig. 1 – Vacant housing units and housing needs, by territorial profile



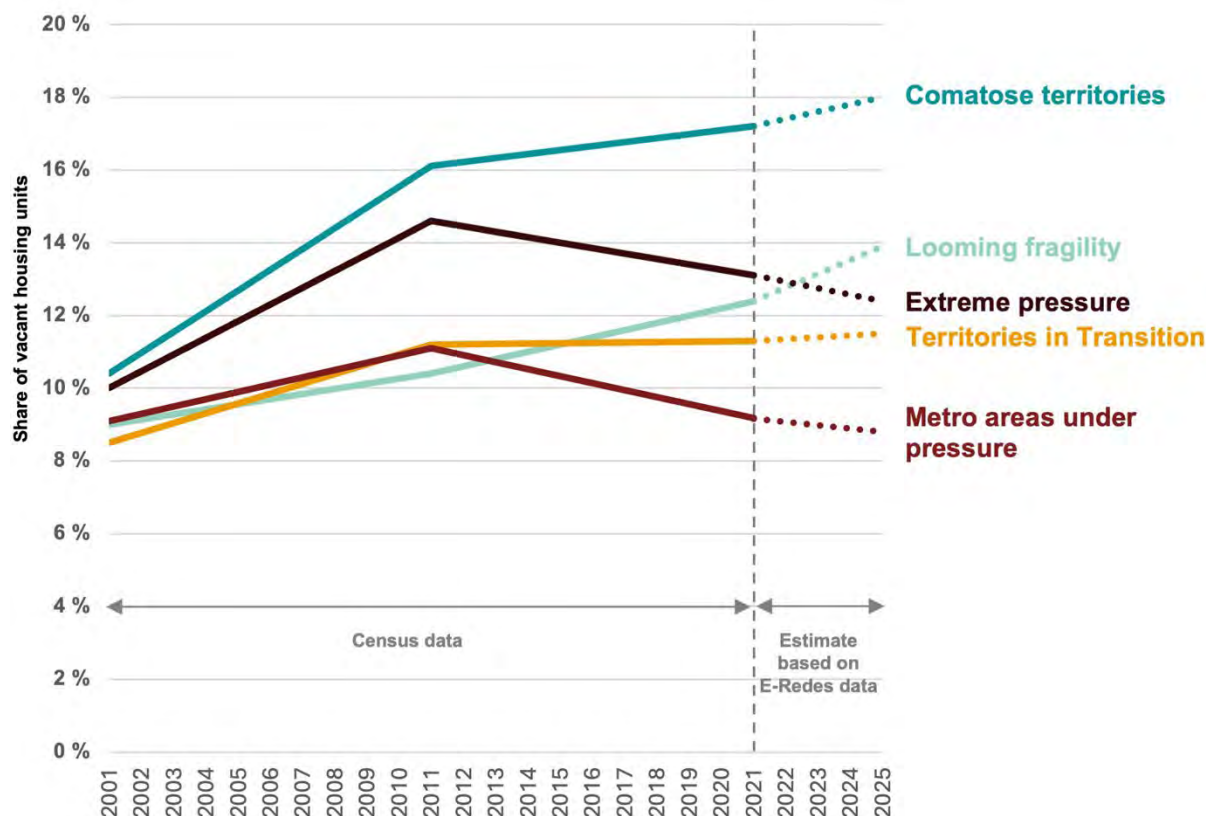
Source: Own elaboration. Data: INE (Statistics Portugal) and Local Housing Strategies – LOGO project.

Fig. 2 – Territorial profiles



Source: Own elaboration. Data: INE (Statistics Portugal)

Fig. 3 – Trend in the share of vacant dwellings by territorial profile



Source: Own elaboration. Data: INE (Statistics Portugal) and E-Redes

Key Findings: Drivers of Vacant Housing

Part of Portugal's high level of underused housing reflects the legacy of long-term historical dynamics, including conceptions of property rights, internal migration, rent controls and incentives favouring second-home ownership.

Beyond these structural conditions, the study identified more immediate causes and policy challenges that are particularly relevant for public intervention. These were divided into two groups:

First, the **general drivers** that, to a greater extent, create a context that provides little incentive for bringing vacant properties onto the market.

Second, the **public policies challenges**, identified through an analysis of the existing legal framework and the policy implementation practices adopted by municipalities. The analysis was mainly focused on the Urban Pressure Zones (UPZ) regime, which is the most robust

policy instrument available in Portugal to address vacant housing, significantly and progressively increasing the IMI property tax on buildings classified as vacant within designated areas.

General Drivers

1. No meaningful cost or risk associated with holding vacant property

Unlike many European countries, Portugal has not widely adopted measures penalising long-term vacancy. Property owners therefore face little incentive to sell or rent, while real-estate values generally continue to appreciate over time.

2. Housing as a financial asset in high-pressure areas

In the most sought-after locations, many properties are deliberately held vacant in

anticipation of further capital gains, contributing to artificial scarcity.

3. Lack of confidence in the rental market

Municipal officials report that many owners view renting as a risk that may outweigh potential returns and constrain future opportunities for use or profit.

4. Rehabilitation costs and barriers

The financial and administrative burdens associated with rehabilitation discourage the mobilisation of vacant housing, particularly among small property owners. These costs also hinder the use of such properties for affordable housing.

5. Undivided inheritances

Undivided inheritances and other legal disputes are identified as factors that prevent properties from being brought back into use. A legislative process is currently underway, but its potential impacts are still unclear.

6. Lack of incentives

Recent changes to the tax framework have reduced the relative advantages previously associated with rehabilitation compared with new construction.

Public Policy Challenges

1. Limited uptake of vacancy policy instruments

The adoption of Urban Pressure Zones (UPZs) is increasing (currently in 16 municipalities) but remains very limited. The lack of broader mainstreaming that would normalise the use of instruments targeting vacant housing, together with a possible concern about the political costs of confronting property owners, may be constraining uptake among policymakers.

2. Incomplete policy approach: pressure without mobilisation

Fiscal penalties are often not accompanied by active measures that provide owners with practical pathways to bring properties back into use.

3. Difficulties in identifying vacant properties

The process of identifying and declaring vacant properties is complex and overly demanding in

terms of time and human resources. It is also unreliable. It depends on data matching between municipalities, the Tax Authority, and water and energy providers, which is hindered by inconsistent indicators and criteria, outdated or inaccurate data, and limited access and interoperability between platforms. Similarly, consumption data provide a useful but insufficient indicator, requiring additional verification procedures that are difficult to ensure.

4. Loopholes created by legal exemptions

Existing exemptions can be used strategically to avoid vacancy classification, including repeated resale arrangements and the claim of non-residential or any type of occasional use as falling under the notion of “own use” (as provided for in Article 3(a) of Decree-Law 159/2006). Conversely, properties undergoing licensing procedures are not covered by the existing exceptions.

5. Divergent implementation practices

Municipalities apply different criteria when defining UPZs and identifying vacant properties, sometimes departing from the spirit or letter of the law – for instance, by applying tax surcharges only to specific categories of cases. This weakens the UPZ regime. At the same time, it reflects a degree of mismatch between available policy instruments and the needs perceived by some municipalities, which should be addressed.

6. UPZs as urban rehabilitation tools

Implementation is often embedded within urban rehabilitation structures, which can shift attention away from housing needs and towards physical building conditions.

7. Limited municipal capacity

Knowledge gaps, legal uncertainty and resource constraints hinder implementation. In addition, their implementation is highly demanding in terms of time, human resources, and technical capacity, requiring resources that many municipalities do not possess.

8. Fragmented municipal structures

The fragmentation of procedures across different municipal departments hinders process management, coordination between policy instruments, alignment with strategic objectives, and the accumulation of institutional know-how.

9. Falta de monitorização

Systematic recording, evaluation and impact assessment remain limited.

10. Lack of supramunicipal coordination

Differences between neighbouring municipalities create inconsistencies which are difficult for citizens to understand and may generate competitive tensions between municipalities

Policy Options and Recommendations

European experience shows a widespread adoption of vacant housing mobilisation policies. It also demonstrates that such policies are most effective when they combine penalties for vacancy with incentives and support measures, while taking account of institutional capacity.

In Portugal, policies in this area remain relatively weak and limited in scope. The recommendations set out here aim to strengthen this field of action, building on existing instruments, namely Urban Pressure Zones (UPZs).

Creating an Enabling Environment

Three policy areas are central: rental housing regulation, taxation and undivided inheritance. Although these areas require deeper analysis and debate, reforms should seek to create conditions that encourage vacant dwellings to enter the residential market.

Encouraging and strengthening municipal capacity

1. *Incentivar a adoção dos instrumentos de mobilização*

- Make access to future housing funding in high-pressure municipalities conditional upon the existence of UPZs or integrated municipal strategies for vacant-housing mobilisation, established in Municipal Housing Charter, with clear and monitored targets.

2. *Strengthening municipal capacity*

- Promote training and exchange of practices among municipal officials and decision-makers.
- Develop clearer legal and technical guidance on UPZ delimitation, vacancy identification, owner notification and case management.

- Ensure municipalities have adequate resources – financial, human and technical – to implement these policies. Support should be differentiated according to each municipality's existing resources.

Improving the Legal Framework

1. *Improve vacant units identification procedures and data access*

- Establish a mandatory owner declaration system regarding property occupancy status to be submitted via the Tax Authority platform. This should ensure up-to-date information on all properties, providing a basis for municipal policies.
- Maintain and strengthen municipal vacancy identification procedures, which would take on the role of verifying the information declared by property owners.
- Ensure effective data exchange between the Tax Authority, municipalities, and utility providers. Guarantee the standardisation, interoperability, and regular updating of data on property identification, geolocation, and ownership. The establishment of a data-sharing platform ensuring permanent access, providing up-to-date information, is also advisable.
- Publish occupancy-status data and other relevant indicators at parish level through INE platforms.

2. *Clarify and recalibrate legal exemptions from vacancy classification*

- Remove or clarify the term “for own use” (Article 3(a) of Decree-Law 159/2006).
- Clarify that the exemption granted to properties acquired for resale cannot be applied sequentially or indefinitely (Article 3(d) of Decree-Law 159/2006).

- Include pending rehabilitation licensing procedures among recognised exemptions.
3. *Improve rehabilitation support schemes*
 - Create improved financial support programmes for rehabilitation aimed at affordable rental housing, particularly for small property owners. The programme should allow municipalities to design and manage their own versions; as well as enable different levels of public involvement – from financing only to additional roles such as design, construction works, or rental management.
 4. *Greater municipal autonomy to adapt measures to local contexts*
 - Grant municipalities greater flexibility to adjust taxation measures to local circumstances, including the possibility of increasing property tax on second homes while offsetting this through reductions for primary residences.

Strengthening Local Implementation

1. Integrated policies

Integrate vacancy policies with housing, urban rehabilitation and spatial-planning strategies, in particular through Municipal Housing Charters. Establish and monitor impact indicators.

2. Clear criteria for vacancy taxation

Ensure clear, transparent and stable criteria for vacancy taxation. In UPZs, all vacant properties must be subject to increased taxation, ensuring equal treatment among property owners.

3. Delineation of UPZs

UPZs' delineation should take into account the municipality's capacity to identify all vacant properties within the area and to offer viable mobilisation paths. UPZs should therefore be limited to areas under the highest urban pressure and to scales that municipal services are able to manage effectively.

4. Pathways to bring properties back into use

Combine vacancy taxation with alternative solutions that offer property owners viable pathways to bring properties back into use. For dwellings in good condition, an offer of rental for subsequent subletting must be provided (Article 5 of Decree-Law 89/2021). For properties in poor condition, support for rehabilitation and subsequent occupation should be made available.

5. Mediation entities

Establish municipal mediation entities acting as one-stop shops for owners, guiding the entire process and offering alternatives through incentives, technical support, streamlined procedures, rent subsidies, rehabilitation financing programmes, or intermediation with developers and the cooperative sector.

6. Municipal services organisation

Improve coordination across municipal departments, namely planning, housing, social policy and urban rehabilitation departments.

7. Supramunicipal coordination

Strengthen coordination at the supramunicipal level – Metropolitan Areas or Intermunicipal Communities (CIMS) – as a way to harmonise operational criteria, integrate municipal policies into wider housing strategies, and ensure intervention capacity.

Conclusion

The evidence highlights the need for active vacant-housing mobilisation policies that combine penalties and incentives, particularly in areas facing the greatest housing pressure. The necessary legal instruments largely already exist.

The key challenge is to ensure their broader and more consistent implementation by creating enabling conditions, strengthening municipal capacity and promoting robust local practices for bringing vacant housing back into use.

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