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Em parceria com: fct Fundação para a Ciência e a Tecnologia
PRR Plano de Recuperação e Resiliência
REPÚBLICA PORTUGUESA
Financiado pela União Europeia NextGenerationEU

POLICY BRIEF 2026

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CONCURSO DE ESTUDOS DE CIÊNCIA PARA AS POLÍTICAS PÚBLICAS

HABIPUB – Integrated strategies and solutions for the promotion of public rental housing in Portugal

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Executive Summary

As a result of the growing gap between housing prices and household incomes, access to housing in Portugal has deteriorated in recent years. In this context, the limited public response has proven insufficient to ensure an effective response to growing housing needs. The HABIPUB project aimed to identify financially sustainable and socially effective solutions to strengthen the public rental housing stock in Portugal, promoting the restructuring of the Portuguese housing system. The work plan was structured around three main axes: (i) a critical analysis of current public housing policies; (ii) a study of international best practices that could be adapted to the national context; and (iii) consultation with public decision-makers and other relevant stakeholders through semi-structured interviews, with a view to identifying proposals and constraints to the implementation of housing policies.

The results highlight the current centrality of housing on the government's agenda, as a result of the significant allocation of European funding. Nevertheless, structural and operational limitations remain that constrain the effectiveness of ongoing responses.

The policy recommendations thus underscore the need for a systemic and integrated approach, grounded in a broad and long-term political commitment that should consolidate housing policy as a core function of the state, supported by stable, targeted, and sustainable financing mechanisms, as well as by the strengthening of multilevel and community-based governance models.

Recommendations

- Collect, organize, and regularly publish up-to-date information on the public housing stock, available support, and unmet needs, to inform decision-making and ensure the monitoring of adopted policies.
- Adapt the administrative structure of housing policy, promoting integrated, coherent, and effective action across the various levels of government.
- Promote social diversity in public rental housing by expanding responses to different groups without reducing support for the most vulnerable, thereby ensuring greater equity and reducing stigma.
- Ensure the availability of public land for a balanced, integrated, and inclusive housing supply.
- Ensure stable and diversified financing for direct public housing promotion policies, aligned with needs and distributed equitably.

Target of the policy brief

Public decision-makers and technical staff responsible for housing policy, namely: Government (Ministry of Infrastructure and Housing), Institute for Housing and Urban Rehabilitation (IHRU); Regional Coordination and Development Commissions (Comissões de Coordenação e Desenvolvimento Regional - CCDR), Intermunicipal Communities (CIM), Metropolitan Areas (MA); Municipalities; Social solidarity institutions and civil society organisations; Housing companies and cooperatives; Associations of property owners and tenants.

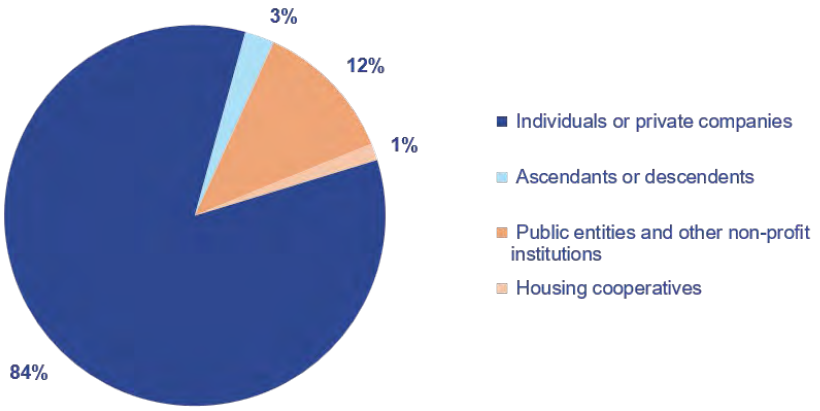
Introduction and Problem Statement

Contemporary societies are facing an unprecedented housing crisis resulting from the growing gap between housing price trends and income growth. This phenomenon is particularly pronounced in Portugal. Between 2015 and 2025, housing prices rose 67 percentage points (p.p.) faster than incomes, a figure significantly higher than that observed in the Eurozone (7 p.p.) and the OECD (15 p.p.).[1]

In this context, estimates of housing needs have been successively revised. In 2018, the figure was estimated at 26,000 households (IHRU, 2018), a number that, by 2025, exceeds 140,000 households (CNA-PRR, 2025), with the highest incidence in the MA of Lisbon and Porto. However, the crisis does not affect only the most vulnerable households (those without housing or living in substandard structures), nor only situations of "unfit housing" (where renovation improves existing conditions). The middle-income population is also beginning to be penalized, whether due to difficulty accessing the home-buying and rental markets or due to the financial burden associated with housing costs. In 2025, this burden affected 27% of tenants in the private market, compared to 3% in the public sector.[2]

Nevertheless, the public housing stock is insufficient to ensure access to decent housing for the most vulnerable populations, while middle-income families face growing difficulties. In fact, public housing accounts for only 3% of the total housing stock and 12% of the total rental market (Figure 1), which significantly limits its ability to respond to the crisis.

Figure 1 – Conventional dwellings of usual residence by type of ownership



Source: Statistics Portugal, Population and housing census, 2021.

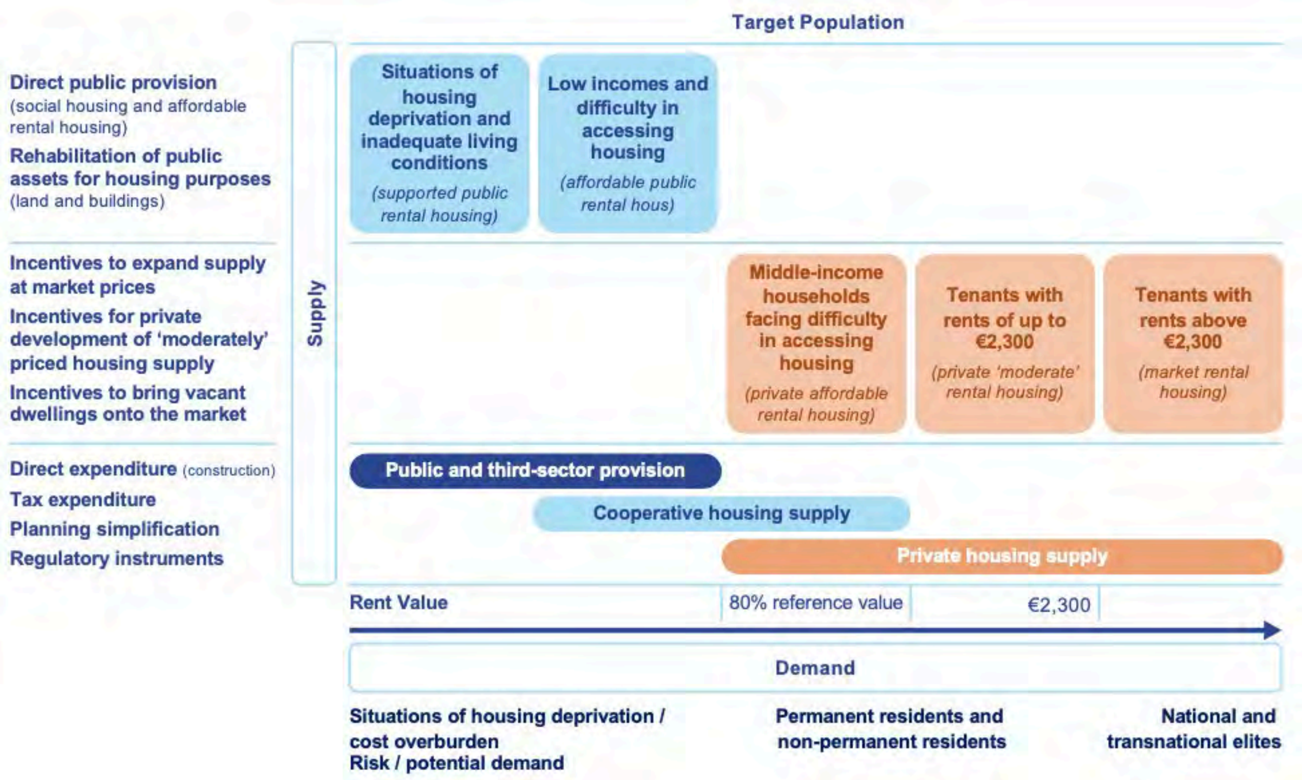
Beyond being insufficient, public housing has structural weaknesses, particularly regarding the condition of the housing stock and the socioeconomic vulnerability of residents (IHRU, 2024). For its part, the private rental market also fails to meet current needs, characterized by its heterogeneity and fragmentation: the deregulated segment is marked by high costs and contractual instability; contracts predating 1990, though more stable, are often associated with poor housing conditions; and the informal segment is marked by high levels of precariousness, falling outside the scope of public policies (Monini *et al.*, 2025).

Thus, the promotion of public rental housing must be coordinated with the other aspects of housing policy, ensuring coherence and complementarity among the different segments, both public and private (Figure 2).

[1] https://www.oecd.org/.

[2] https://ec.europa.eu/eurostat/.

Figure 2 – Main pillars of the current housing policy and their relationship with types of supply and demand.



Source: Own elaboration based on Pinho *et al.* (2025).

Analysis and Key Findings

New Housing Policy Strategy

The current housing policy reflects a paradigm shift, moving away from guidelines focused on new construction in the initial phase and on supporting home purchases through credit in the second phase. That is, it now prioritizes urban renewal and renting as an alternative to buying, in a context of reduced access to credit. The Recovery and Resilience Plan (PRR) implements this strategy by channelling a significant portion of resources into the *1º Direito* (1st Right) program, which focuses primarily on the rehabilitation of public housing stock, rather than its structural reinforcement (CNA-PRR, 2025).

The implementation of the PRR is expected to add approximately 20,000 public housing units (through construction and acquisition), compared to the approximately 123,000 existing units, corresponding to an increase of approximately 17%. Although significant, this increase is still insufficient given the needs, which exceed 140,000 families (CNA-PRR, 2025). Nevertheless, it will have a significant impact in municipalities with lower public housing supply, where the expansion will be proportionally more substantial (Santos *et al.*, 2026).

Given the limited capacity for public response in the short term, government intervention has also focused on stimulating private supply through tax incentives, with the aim of making renting more attractive in the "affordable" and "moderate" segments (Figure 2). However, the impact of this strategy is limited: the largest investment incentives target high-end segments and other areas, such as tourism, reducing the effectiveness of measures aimed at the middle-income and low-income segments.

Furthermore, continued support for the private sector entails an increasing allocation of public resources, with potential effects on rising prices and the emergence of new systemic risks (Bank of Portugal, 2026), without producing structural improvements in access to housing.

In this context, strengthening the public housing stock constitutes a central response to the crisis, requiring, however, continued investment and improvements in management — including local administrative capacity building and the reinforcement of human resources — alongside the safeguarding of existing public assets, preventing their disposal.

Weaknesses in the housing provision system

The implementation of the PRR has highlighted weaknesses in the public housing provision system at various levels. The IHRU, responsible for coordinating, implementing, and monitoring housing policy — as well as managing programs and a public housing stock of approximately 14,000 units — faces growing pressure on its services (IHRU, 2025).

In fact, the accumulation of responsibilities, coupled with the implementation of new instruments such as the *1.º Direito* program and the Affordable Rental Program, has occurred without the corresponding organizational adjustments and adequate reinforcement of human and financial resources. Consequently, its capacity to respond is struggling to keep pace with increasing demands, compromising the very implementation of housing policy (CNA-PRR, 2025).

This situation highlights the need to strengthen and restructure the sector's administrative capacity, encompassing not only the central level but also MA, CCDR, and municipalities, thereby promoting more integrated and effective action across levels of governance.

Added to this is the lack of systematic information on the public housing stock, the rental market, and housing needs, as well as limited policy evaluation. This gap leads to the implementation of poorly coordinated measures, sometimes with contradictory effects, compromising the overall effectiveness of housing policy.

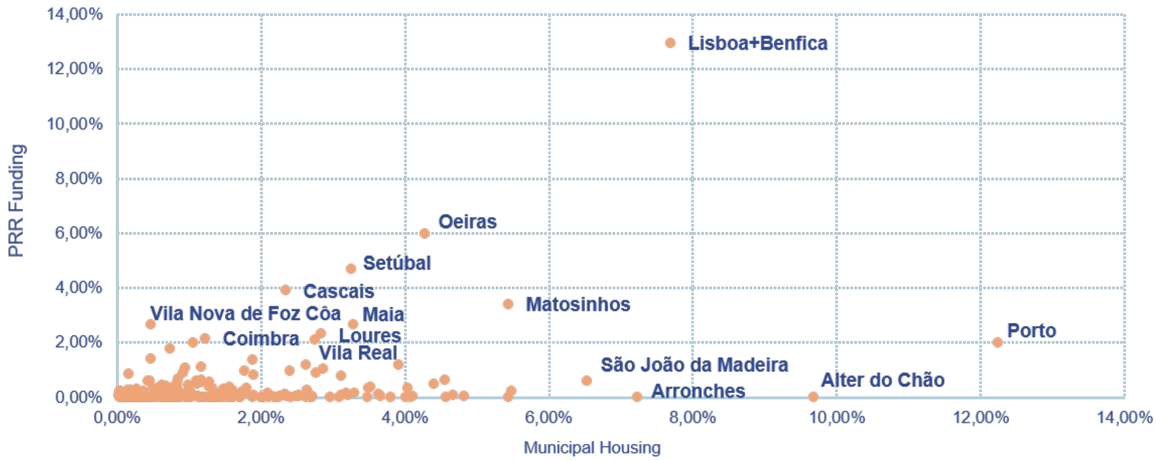
Uneven municipal policy

The implementation of the PRR has also highlighted territorial inequality, both in terms of regional and municipal allocations for public housing stock and in terms of the financial and technical capacity to ensure the direct public provision of housing.

In fact, municipalities with more robust housing stocks tend to have more autonomous management structures, better-staffed human resources, and more consolidated internal administrative organization. This circumstance contributes to a greater capacity to respond to tenders and direct promotion programs promoted by the central government or framed within measures for accessing European funds. This factor, alongside the distinct territorial distribution of housing needs, helps explain the varying pace of participation in the *1º Direito* program, with municipalities in the MA taking the lead in submitting applications. Despite its national scope, the distribution of PRR funding has proven uneven, concentrating in the MA of Lisbon and Porto, with a particular focus on Lisbon, Oeiras, Setúbal, Cascais, and Matosinhos (Figure 3).

Nevertheless, it is the municipalities with the least public housing that will see their housing stock most significantly expanded through the PRR. In 25% of cases (71 municipalities), the PRR will result in an increase in the public housing supply of more than 50%, reflecting the low volume of housing in absolute terms (Santos *et al*., 2026). This situation will have a significant impact on the need to further strengthen municipal services at a later stage, in order to ensure the effective management of public housing stock, particularly in municipalities where the increase in supply is most pronounced.

Figure 3 – Municipal Housing and PRR Funding (% of total)



Source: Statistics Portugal and More Transparency Portal

Financial Viability

The deterioration of the public housing stock highlights the difficulties faced by management entities in maintaining and rehabilitating this housing stock, due to the need to charge low rents and the lack of additional sources of funding or transfers from the central government. On the other hand, the spread of the housing crisis to other segments of the population has led to an expansion of municipal intervention.

In line with national guidelines, affordable rental programs and smaller-scale, community-based housing solutions are targeted at households with greater economic capacity, alongside case-by-case responses aimed at preventing the worsening of housing shortages. However, affordable rental schemes or other models with higher rents should not be implemented at the expense of reducing support for the most vulnerable groups, lest this exacerbates phenomena of exclusion and housing, social, and urban deprivation, with serious consequences for society as a whole. The financing of public housing policy may, however, be based on alternative models (see below).

Social Cohesion

The Special Resettlement Program (Programa Especial de Realojamento – PER) experience highlighted the urban, financial, and social costs associated with the location of many developments in outlying areas that are poorly integrated into urban centres. These areas, in many cases marked by a scarcity of facilities and services and poor accessibility, hindered the social integration of residents and contributed to processes of socio-spatial segregation and territorial stigmatization, which still persist in some contexts (Cachado, 2023). In this sense, public support for access to housing should prioritize solutions that promote social diversity and integration into the established urban fabric, avoiding the high costs inherent in processes of socio-territorial segregation.

At the same time, the lack of a response to a growing number of situations beyond the reach of the public sector and the private market has led to the resurgence of informal and precarious housing solutions in various areas. This reality highlights the need for a robust housing response capable of preventing the worsening of poverty and social exclusion.

International best practices

The structural differences between housing provision systems — between countries with limited public housing stock, such as Portugal, and those where it approaches 20% (e.g., Austria) — make it difficult to directly apply international solutions. Nevertheless, it is important to consider the diversity of financing models capable of expanding the social housing stock, as well as the mechanisms that ensure its management and maintenance with financial sustainability over time. These models generally rely on cost-sharing among tenants, regional or local governments, and the central government, through stable public transfers.

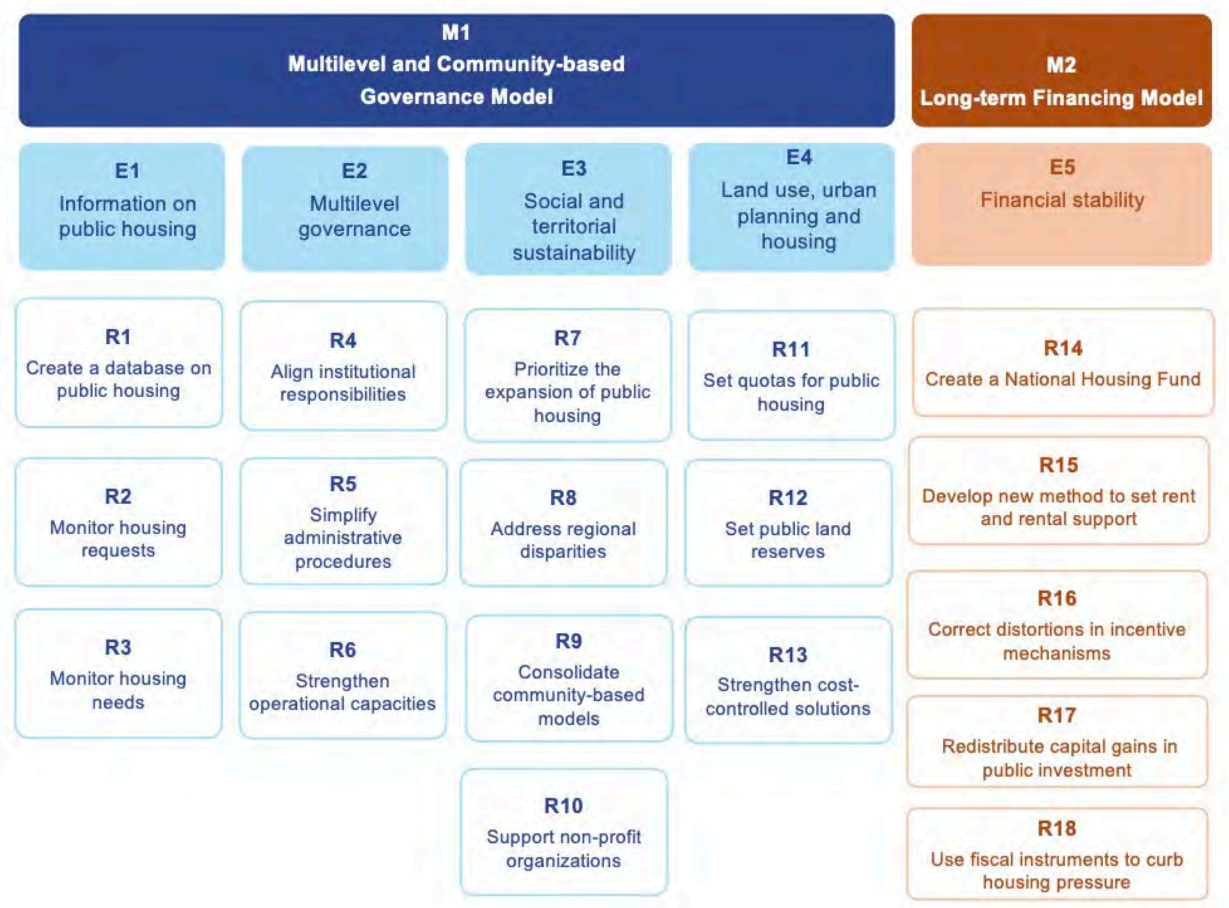
A common feature of these models is the adoption of cost-based rents, which cover expenses related to land, construction, financing, maintenance, and renovation. For lower-income households that cannot afford these amounts, there are supplementary subsidies, funded by dedicated funds and transfers from the central and/or local government.

International evidence also shows, however, that structural housing strategies — such as the expansion of the public housing stock, rent regulation, and the development of specific financial instruments — require a lasting political commitment that persists across multiple government cycles in order to generate progressive and cumulative effects (Santos *et al.*, 2026).

Policy Options and Recommendations

The expansion and consolidation of the public housing stock, in a manner that is both financially sustainable and socially inclusive, calls for a systemic and integrated approach, grounded in a broad, long-term political commitment that should establish housing policy as a core function of the State. This approach requires a stable, long-term financing model and a multilevel governance system that is locally focused and technically robust, as presented below (Figure 4).

Figure 4 – Integrated strategies and solutions for the promotion of public rental housing in Portugal



Source: Own elaboration.

M1. Multilevel and community-based governance model

E1. Information about the housing stock: Collect, organize, and regularly publish up-to-date information on the public housing stock, available support, and unmet needs, to support decision-making and the monitoring of policies.

R1. Create an integrated public database containing: owner, managing entity, type of support, housing unit characteristics (year, type, area), occupancy status, and sociodemographic profile of beneficiaries.

R2. Develop an electronic platform that is interoperable across administrative levels, enabling the real-time identification and monitoring of submitted and pending support requests, with information on the characteristics of applicant households.

R3. Implement an up-to-date national system for identifying and monitoring housing needs, integrating data from municipalities, self-referrals by households, and referrals by social service agencies.

E2. Multilevel governance: Adapt the administrative structure of housing policy, promoting integrated, coherent, and effective action across the various levels of government.

R4. Align the responsibilities of the central government (IHRU), CCDR, Autonomous Regions, MA, CIMs, and municipalities with their respective territories, strengthening coordination and regional/intermunicipal synergies.

R5. Simplify administrative procedures using digital platforms and standardized, easy-to-fill-out forms, ensuring proper processing of applications and greater speed.

R6. Strengthen the technical and operational capacities of the administration at all levels, with adequate allocation of qualified human resources and funding. Consider establishing technical support offices at the central, regional, and intermunicipal levels to assist municipalities with greater limitations.

E3. Social and territorial sustainability: Promote social diversity in public rental housing by expanding responses to different income levels without reducing support for the most vulnerable.

R7. Prioritize, in European programs, the expansion of the public housing stock through the rehabilitation, conversion, and adaptation of vacant or underutilized properties, accelerating responses, reducing costs, and optimizing existing assets.

R8. Address regional disparities in the allocation of European funds, ensuring greater territorial equity in meeting needs and strengthening the technical capacity of the most underserved municipalities.

R9. Consolidate models of community-based management and resident participation, based on the adoption of best practices, by establishing formal mechanisms for resident engagement and promoting better-suited solutions and social cohesion.

R10. Strengthen support for non-profit organizations promoting social and affordable housing, prioritizing community-based governance, ensuring that publicly funded assets cannot be sold, and guaranteeing their allocation for the collective good.

E4. Alignment of land use, urban planning, and housing policies: Ensure the availability of public land for a balanced, integrated, and inclusive housing supply.

R11. Set minimum quotas for public housing in housing developments in areas of high demand, adjusting them to local needs and coordinating with territorial management.

R12. Set public land reserves for direct housing development, ensuring the necessary infrastructure and accessibility, especially for land located on the outskirts of established urban areas.

R13. Strengthen cost-controlled solutions for the conversion of private rural land into developable land, ensuring the creation of sustainable, affordable housing and consistency with objectives of territorial cohesion and social justice.

M2. Long-term financing model

E5. Financial sustainability: Ensure stable and diversified financing for direct public housing promotion policies.

R14. Create a National Housing Fund (NHF) for the development and management of the public housing stock, financed by multiple sources and providing long-term loans, guarantees, and subsidies for social housing and affordable housing projects.

R15. Implement a rent model that combines "cost-based rent" (financing, management, maintenance) and "income-based rent" (tenants' ability to pay), with the difference covered by the NHF, thereby promoting a greater continuum between social and affordable housing.

R16. Correct distortions in incentive mechanisms that divert resources needed to address housing needs.

R17. Redistribute capital gains generated by urban planning decisions and public investment, channeling land appreciation to finance instruments for promoting public housing.

R18. Curb, through fiscal and other instruments, uses of real estate that exacerbate housing pressure (vacant properties, luxury segments), using objective and territorial criteria, and allocate the resulting revenues to the NHF.

Conclusion

The housing crisis in Portugal is particularly acute due to the small size of the public housing stock and specific structural factors, such as high economic dependence on the real estate and tourism sectors, the cultural predominance of private ownership, and the stigma associated with public rental housing, which has historically been minimal.

This study highlights the existence of discontinuities and tensions in public housing policies implemented in recent years, as well as administrative and operational limitations. Nevertheless, it also identifies best practices, both nationally and internationally, that demonstrate the viability of alternative solutions.

The expansion and consolidation of the public housing stock, in a financially and socially sustainable manner, require a systemic and integrated approach, based on a broad and lasting political commitment. A commitment that should affirm housing policy as a core function of the State, supported by stable, dedicated, and long-term financing mechanisms, as well as by models of multilevel and community-based governance.

The response to the housing crisis is not, therefore, limited to the adoption of technical instruments; rather, it entails the construction of a sustained political commitment in the medium and long term. A commitment that recognizes housing as an essential social infrastructure and as a central pillar of development policies and of social and territorial cohesion.

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HOW TO CITE THIS DOCUMENT

Santos, A.C., Drago, A., Ribeiro, R., Serra, N., & Silva, R. (2026). *HABIPUB – Estratégias e soluções integradas para a promoção do arrendamento público em Portugal.* S4P-25 Policy Brief 8036/2025. PLANAPP – Centro de Planeamento e de Avaliação de Políticas Públicas.

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This policy brief was developed under the Science4Policy 2025 (S4P-25): Public Policy Science Studies Call, an initiative by the Centre for Planning and Evaluation of Public Polices (PLANAPP) in collaboration with the Foundation for Science and Technology (FCT), financed by Portugal´s Recovery and Resilience Plan. Thematic line S4P-25/08: Economic and financial sustainability models for promoting public rental housing.