Portugal continues to face a housing affordability crisis. The main challenges for housing policy and investment concern: (i) the continuous rise in prices: (ii) the lack of supply; (iii) high pressure in large cities; (iv) regional disparities, (v) the issues of rental market affordability that affect not only vulnerable groups but also essential workers, students and young people; and (vi) the increase in housing exclusion. In 2025, Portugal received a country-specific recommendation requiring it to take additional policy action to: address housing affordability and availability in high demand areas by eliminating barriers to renting vacant houses and renovating derelict buildings; and promote efficient public transport connections to reduce the pressure on house prices in urban centres and improve the attractiveness of other territories.

Portugal's lack of affordable housing increasingly affects not only the most vulnerable groups, but also other segments of the population. Houses price growth has been stronger than income growth, further pressuring household budgets. There is an increasing difficulty to meet the needs not only of vulnerable groups, but also of low- to middle-income households, which are often not eligible for social housing but are not capable of affording suitable housing at market prices either. Thus, a substantial part of the Portuguese population lives in overcrowded homes. Similarly, some households are unable to keep their homes adequately warm. Young adults are particularly exposed to rising housing costs. Renting a standard two-room apartment would absorb more than 80% of a young adult's median income in several areas experiencing housing pressures.

A significant proportion of the housing supply in Portugal is underutilised. More than 30% of residential dwellings – the highest proportion among OECD countries – are not occupied as primary residences, but are instead either unoccupied (12% in 2021, corresponding to 723 715 dwellings) or used as second or holiday homes (19%). Despite the increasing housing needs in high-demand areas, most of the vacant dwellings are located in Lisbon, Porto and the main urban centres along the coast. According to a study ([337]), rather than entering the long-term market rental market with its slowness, uncertainty and bureaucracy, it can be a more rational risk-management strategy for owners to keep a dwelling vacant while awaiting a favourable moment to sell it, to convert it a to short-term rental or to pass it on to family members.

Housing market developments

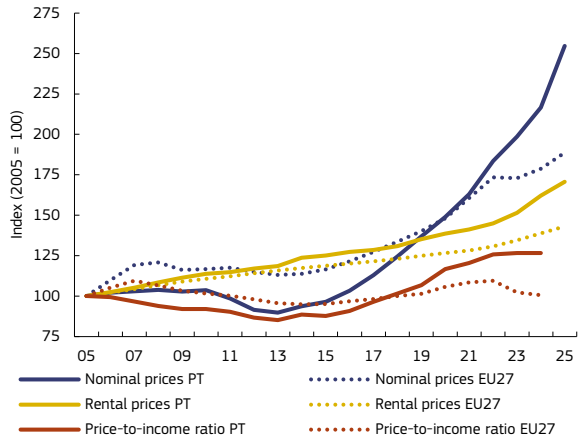
Portugal's house prices have increased rapidly over the past years. In cumulative terms, prices in 2024 had risen by 124% relative to 2015, equivalent to a compound annual growth rate of 9.5%, or roughly twice as fast as the EU average. In 2025, house prices accelerated further, rising by 17.6% year-on-year showing signs of overvaluation of about 36% (based on the standard European Commission methodology). The strong growth is partly explained by a correction to previously low valuations, as Portugal's weak economic performance before 2015 kept house price increases well below the EU average. In addition, strong growth in tourism, along with the rapid expansion of online platforms for short-term rentals, have further pushed up prices. In cumulative terms, rental prices in 2024 had risen by around 30% relative to 2015, equivalent to a compound annual growth rate of 2.9%. Both house and rental prices have surged much faster in popular travel destinations and urban centres, particularly in the capital city of Lisbon.

Housing affordability worsened as income growth only partly offset price effects. Although household nominal income grew substantially in past years, it was insufficient to fully offset the house price increases. The price-to-income ratio increased by 44% from 2015 to 2024, one of the highest in the EU, and is estimated to have risen further in 2025. About 80% of households report that they are financially burdened heavily or to some degree by housing costs (EU average: 78%, 2023). Housing affordability was also weakened by the increase in mortgage interest rates in 2022-2023 but the trend reversed as of 2024. The high ownership

([337])Why Homes Stay Empty: Understanding Property Owner Withdrawal in Lisbon's Housing Crisis available here: www.mdpi.com/2413-8851/10/1/30.

ratio in Portugal partly offset the impact of prices on affordability, as the self-reported housing cost overburden rate in Portugal remained below the EU average, despite increasing somewhat in 2024. In addition, household arrears on mortgage or rental payments dropped to only 2% in 2024. The ratio of household debt to GDP fell from 75% in 2015 to 52% in 2024 and the proportion of non-performing loans also decreased.

Graph A16.1: **House prices, rents and price-to-income evolution in PT and EU27 since 2005**

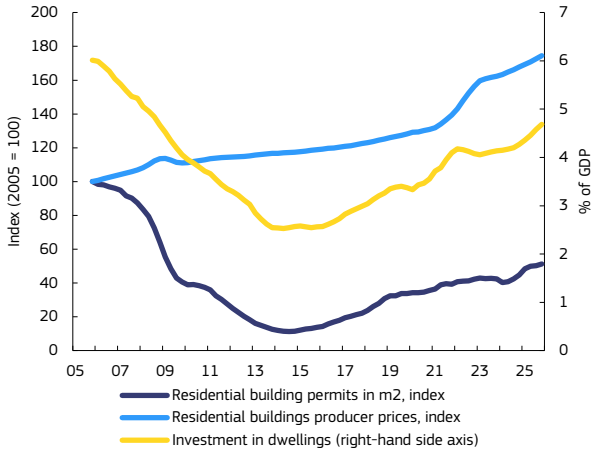


Source: Eurostat

Construction is slowly responding to rising demand. Investment in dwellings increased by 5.5% in real terms in 2024 and is estimated to have followed a similar trajectory in 2025. Building permits had been rising steadily since 2015 to reach 655 m² per 1 000 inhabitants in 2024 – nearly 80% above the EU average. However, investment in dwellings as a proportion of GDP remained below the EU average (4.3% vs 5.3%). Supply is also constrained by low land availability in areas with high tourism intensity. Surveys of construction activity identify higher labour shortages than the average in other sectors (see Annex 11), material constraints and difficulties in obtaining building permits as the main barriers to sectoral activity.

Housing needs are subject to significant regional disparities. The steep house price rise in Portugal has been concentrated mostly in the large cities of Lisbon and Porto, as well as in popular tourism areas in Algarve and Madeira. In contrast, many rural regions face low demand and an oversupply of housing. This is explained by the demographic projections, which indicate a relatively stable and ageing population, and the large housing stock ([338]). It is estimated that around 12% of the existing dwellings in Portugal – including many in Lisbon – remain vacant. A study by IHRU, I.P, conducted at NUTSIII level presents regional disparities in households' capacity to afford housing in Portugal, with 78 municipalities where households spend over 50% or more of their disposable income to purchase, and 76 municipalities where the same proportion is spent on rent. The highest housing cost overburden rate is in Lisbon at 10%, followed by Algarve at 8.6% and Setúbal at 6.7% (2025). Both Outermost Regions are under the national average of 6.3%.

Graph A16.2: **Housing supply indicators in PT since 2005**



Source: Eurostat

Structural policies

Low public social and affordable housing stock continues to be a constraint. Portugal is slowly progressing towards building up its public housing stock, increasing the current proportion of less than 2% ([339]) at national level to at least 5%. With the Recovery and Resilience Plans completion approaching, Portugal plans on completing 31 000 social and affordable housing by August 2026. In the meantime, Portugal has also committed to

([338])Balouktsi et al. (2026) Housing investment needs in the EU. JRC Technical Report 144419.

([339])The OECD reports on public housing stock monitoring reveal that Portugal has one of the lowest stocks of the group. OECD Affordable Housing Database (reports PH4.2 and HM1.1).

European Investment Bank loans and to reinforced European Regional Development Fund co-financing following the mid-term review of cohesion policy. Nevertheless, the stock will not be sufficient to cover the housing needs of the over 143 000 families identified by municipalities in 2025 as living in inadequate conditions nor to have a significant impact in the supply of social and affordable housing.

Portugal lacks not only an integrated and sustainable housing policy, but also regular evaluation of its housing policies' impact and mapping of the needs. To partially address this, Portugal will receive technical support from the Commission's Technical Support Instrument to help set up a national model for housing data governance and management, as well as to strengthen housing policies through pilot projects. The current fragmented and ineffective coordination between central and local authorities means that Portugal also lacks an integrated approach to housing policy. Investment and financing mechanisms are mainly ad hoc, based on significant EU support, and will not be sustainable in the future. Furthermore, limited use is made of long-term planning instruments in which municipalities combine housing needs with policy and planning measures, and of useful testing schemes that would allow mixed-tenure developments. Increasing the uptake of planning instruments, and developing a long-term affordable housing delivery and investment pipeline is important to ensure the continuous development and maintenance of quality and inclusive public housing.

Portugal has limited measures to reduce the high number of vacant and derelict buildings and houses. The 2025 country-specific recommendation indicates the need to eliminate barriers to renting vacant houses and renovating derelict buildings. Of the more than 700 000 vacant houses in Portugal, around 248 000 are in good condition, with little no or need for renovation, but are not available on the rental market ([340]), according to an IHRU, I.P study ([341]). Currently, Portugal is aiming to launch financing instruments for the renovation of residential buildings and is exploring the possibility of transferring state property to the municipalities. A recent OECD report ([342]) recommends the use of vacant dwellings and fiscal measures to disincentivise leaving houses vacant in high-pressure areas. 30% of the municipalities register a positive house-to-household ratio of between 1.1 and 1.4, indicating an excess of housing for the resident population. This ratio, which takes into account second homes, vacation and vacant dwellings, is lower in the coastal urban areas (except for Algarve) than in the countryside where it reaches 3.2. The availability of dwellings is higher in low-density territories, and lower in the most populated areas. Even so, the problem is not a lack of housing, but the large number of vacant dwellings, most of which are in good condition, which worsens affordability and access in high-pressure areas.

The Portuguese government continues to apply fiscal measures in an attempt to improve the availability and affordability of housing. The latest announced package is set to include several measures on the supply and demand side to incentivise an increase in the housing stock, and to alleviate accessibility and affordability pressures (see Annex 3). These measures include a VAT reduction from 23% to 6% for renovating and building properties with a value of up to EUR 660 982. The package also includes a 7.5% flat-rate property transaction tax on the acquisition of residential property by non-residents, which aims to constrain demand. However, given the marginal difference between the 7.5% rate and current property transaction tax rates, its capacity to effectively constrain demand may be limited. Furthermore, in view of the existing supply constraints, at least part of the reduction in VAT risks being absorbed through increased land prices or margins, limiting effective price moderation and decreases.

In addition, the new package also includes fiscal measures that aim to put existing housing stock on the rental market. These entail tax benefits for owners to let property at up

([340])There are several reasons that the dwellings are vacant, for example some might be under legal disputes involving inheritances or facing ownership issues, complicating their release to the market.

([341])Territórios com falta ou desadequação da oferta habitacional em Portugal, IHRU, July 2025, www.portaldahabitacao.pt/documents/20126/58203/1_Estudo%20PNH-_VFinal_completo.pdf/49b45fff-df9f-0dce-75eb-bef8df6745e1.

([342])*OECD Economic Surveys: Portugal 2026*, OECD Publishing, Paris, https://doi.org/10.1787/025b3445-en.

to EUR 2 300 per month and a capital gains exemption for selling primary and secondary residences when owners buy another property that they intend to let at a price up to the same threshold. The rental income tax incentive is undifferentiated between new and existing contracts and applied to rents that are significantly above the national average monthly income. The tax expenditure is therefore likely to be largely absorbed by existing contracts, with a rather limited impact on new supply., In addition, the above-mentioned new capital gains exemptions come on top of a general exemption for 50% of capital gains and a full exemption for owner-occupiers who reinvest gains in another primary residence. The additional exemptions further contribute to reduced progressivity and largely untaxed real estate capital gains, while it is unclear that they will have a significant impact on the objectives of increasing rental supply and decreasing rental prices.

Portugal transferred the competences for short-term rentals to municipalities with the aim of tailoring solutions to local needs. Despite the measures taken, the rental market continues to be under significant pressure, also outside of traditional high-pressure areas, with not only young people, low-income and vulnerable groups, but also middle-income groups experiencing difficulties in accessing the rental market.

Housing affordability constrains labour mobility, talent attraction and competitiveness. A notable example is Algarve, a region dependent on seasonal work, where companies have difficulties in hiring workers, partially due to the high cost of housing, which further deepens the labour shortages. Similarly, key workers (e.g. teachers, emergency and healthcare professionals, cleaning workers, care workers, etc.) face difficulties in finding affordable accommodation; a situation that affects the provision of public and essential services ([343]).

([343])'Housing in the European Union: Market Developments, Underlying Drivers, and Policies', G. Cousin et al., available https://economy-finance.ec.europa.eu/publications/housing-european-union-market-developments-underlying-drivers-and-policies_en.; 'Portugal tem uma das maiores crises habitacionais da Europa', G. Rodrigues et al., available, https://causapublica.org/estudos/portugal-tem-uma-das-maiores-crises-habitacionais-da-europa/.

Vulnerable groups

Young people and disadvantaged groups are more exposed to increased housing costs. In 2025, the housing cost overburden rate (the proportion of people who spend over 40% of their household income on housing) slightly decreased by 0.6 percentage points (pps) compared with 2024, reaching 6.3%, after years of increase, while EU average continues decreasing EU average: 8.8% in 2023; 8.2% in 2024, 7.7% in 2025) ([344]). Tenants renting at market price are particularly affected, with 27.2% facing housing cost overburden compared with the EU average of 18.6%. The most-affected cohorts include: (i) young people who are more likely to leave their home because they can no longer afford it, and to live in poorer quality dwellings ([345]) or are forced to postpone leaving the parental home; and (ii) other more vulnerable groups, such as single-parent households, people with disabilities ([346]), migrants and lower-income cohorts. Rents account for 33.4% of disposable household income for people at risk of poverty or social exclusion (EU average: 33.5%), and 34.9% for single-parent households (EU average: 25.5%) in 2025. Portugal has developed fiscal incentives and public guarantee schemes to help young people to buy property. Despite the significant uptake, the schemes may have caused purchase prices to increase, offsetting the potential savings benefits. Access to an affordable rental market is a key challenge for these groups. Programmes like Porta65+, Apoio Extraordinário à Renda and Apoio ao Arrendamento can help alleviate costs and should help to improve long-term rental market accessibility for these groups. However, constraints and delays in implementation and reach, together with shortcomings in targeting, undermine their capacity to adequately address the needs of the most vulnerable households.

([344])The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

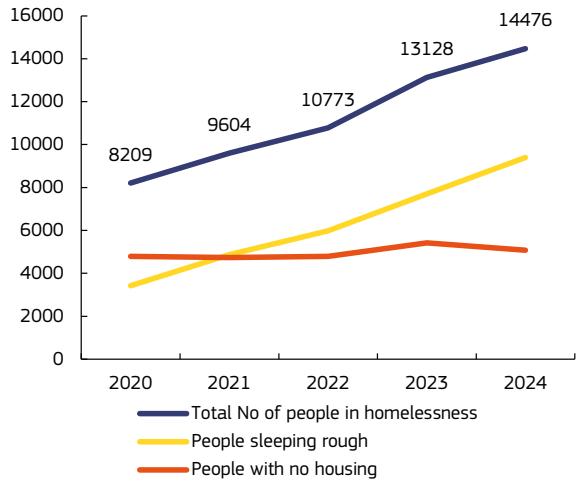
([345])Eurofound (2025), Foundational challenges: The housing struggles of Europe's youth, Publications Office of the European Union, Luxembourg.

([346])European Commission: Directorate-General for Justice and Consumers, Pinto, P. and Acosta Jimenez, M. A., Accessible and sustainable housing for persons with disabilities – Portugal, Publications Office of the European Union, 2026, https://data.europa.eu/doi/10.2838/0680398

The lack of affordable housing can be a significant obstacle to enrolment in higher education. The average cost for a student room in the private market is EUR 410, rising to EUR 500 in Lisbon, while there were around 17 000 beds in public student residences ([347]). Low- and middle-income families face added pressure on their household budget to tackle the rent costs of students living away from home, particularly for students that either don't qualify for social support or don't find a bed in public student housing. The Portuguese government has introduced an affordable student housing plan (EUR 515 million) to construct and renovate buildings that will provide 18 000 beds. Also, the revised social support system in higher education ([348]), in place since early 2026, introduces a means-tested model to reflect actual study and living costs, seeking to address the growing difficulties low-income students face in coping with rising housing expenses (see Annex 13).

Housing deprivation and overcrowding are worsened by poor affordability and accessibility. There was a 2.1 pps increase in the severe housing deprivation rate (lack of adequate housing space and poor living conditions) from 2020 to 2023, when it reached 6.0% (EU average: 4.0%). This rate rises to 13.2% for those who rent at market prices, which is double the EU average of 6.4% (2023). The overcrowding rate also increased by 2.7 pps from 2020 to 2025, when it reached 12.7%, but remains below the EU average of 16.8%. Official national statistics from Statistics Portugal (INE) report that 22.7% of immigrants lived in overcrowded dwellings (2023). Rural and low-density territories, which are increasingly affected by migratory trends that are necessary to the local economy, face major difficulties in providing suitable conditions for these workers as a result of overcrowding, illegal occupation, and low and precarious stock ([349]). These data reveal a continuous misadjustment of the rental market, particularly towards vulnerable groups.

Graph A16.3: **Increase in homelessness in mainland Portugal (2020-2024)**



Definitions: (1) People in Homelessness - with no housing: people living in temporary accommodation centres, in specific accommodation for people without a home, or in rooms (fully or partially) paid for by social services or other entities. (2) People in homelessness - rough sleeping: people living in the street, public spaces; emergency shelters or in precarious places

Source: ENIPSSA official survey from 2021 to 2025, referring to the previous years

Portugal lacks an effective public response to the rise in homelessness. Portugal recorded a historic high of 1.41 homeless people per 1 000 inhabitants in 2024, up from 0.84 in 2020, increasing for the fourth consecutive year ([350]). On the mainland the number reached 14 476 people ([351]). Alentejo is the region with the most significant increase, rising from 517 people in 2020 to 3 234 in 2024 ([352]). 37% of homeless people were under 30 years old, a recurring trend in the past years, and 21% of people had been

([347])Data from Observatório do Alojamento Estudantial from November 2025, pnaes.pt/observatorio-alojamento-estudantil.

([348])Novo Sistema de Ação Social no Ensino Superior, https://www.portugal.gov.pt/pt/gc25/comunicacao/noticia?i=novo-sistema-de-acao-social-no-ensino-superior

([349])Observatório das Migrações (2026), População estrangeira residente em Portugal (2024): Implicações para a coesão territorial, políticas públicas e governação das migrações.

([350])The increase is partially explained by a refinement in the survey methodology to account for Portuguese Roma communities in some municipalities, as the definition of homelessness is 'all people on the mainland without access to housing'. This suggests that previous surveys did not represent all the phenomena.

([351])The Data provided by the 2024 ENIPSSA survey cover only the mainland. Official data provided by regional authorities indicate 383 homeless people in the Azores Region in 202 and 177 in the Madeira Region in 2024.

([352])The increase can be partially attributed not only to seasonal agricultural work and job precariousness in sectors where a high number of migrants work, but also to the survey taking into account Portuguese Roma communities that it had previously disregarded.

Graph A16.4: **Housing affordability selected indicators**

		EU27				PT							
	unit	2000-25 avg.	2023	2024	2025	2000-25 avg.	2023	2024	2025	unit	2023	2024	2025
House price to income ratio	*2000-25 avg = 100*	100.0	102.0	100.2		100.0	124.6	124.7		YoY%	0.7	0.1	
Rent to income ratio	*2000-25 avg = 100*	100.0	85.1	83.5	84.5	100.0	92.8	91.0	91.5	YoY%	-2.7	-1.9	0.5
Overburden rate, total	%	9.9	8.8	8.2		6.5	4.9	6.9	6.2	PPS/y	-0.1	2.0	-0.7
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		27.0	27.0	30.3	27.2	PPS/y	-2.4	3.3	-3.1
Overvaluation gap	%					-1.3	19.4	21.6	36.0				
Deflated construction production price	*2010 = 100*	102.2	112.2	111.8	110.5	101.4	112.7	113.4	115.4	YoY%	-1.6	0.7	2.0
Building permits	*m^2 per ths persons*	483.5	376.9	362.9	379.9	617.0	633.4	654.5	749.7	YoY%	0.5	3.3	14.5
Residential construction investment	*% GDP*	5.5	5.8	5.1	5.0	4.5	4.1	4.3	4.7	YoY%	0.0	4.9	9.3
Share of ownership	%	70.0	69.1	68.4		74.9	76.0	73.4	71.2	PPS/y	-2.3	-3.4	-3.0
Share of people living in overcrowded homes	%	17.7	16.8	16.9		12.1	12.9	11.2	12.7	PPS/y	3.5	-1.7	1.5

Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

homeless for less than one year. There are several causes of homelessness, but in 9.7% of cases, it was due to evictions or loss of housing. The public social response capacity varies between regions, and has been increasing over the years with the expansion of the homelessness planning and intervention centres (*Núcleos de Planeamento e Intervenção Sem-Abrigo*, NPISAs)([353]). However, overall, public services lack sufficient capacity to provide housing, emergency accommodation and related integrated services for homeless people or dealing with imminent or recent housing exclusion. Overall, there has not been sufficient investment in housing-led initiatives, including enough financing for measures to promote people-centred, personalised measures and reintegration. Likewise, measures such as debt counselling, legal advice, representation and continued protection are relevant to prevent more people falling into homelessness.

There has been a rise in informal settlements inhabited by workers and families. Civil society organisations and municipalities report a surge in informal settlements lacking basic services in the Lisbon metropolitan area. Despite the absence of official aggregated data, reports ([354]) indicate that by July 2025 around 3 000 families were living in 27 self-built or informal neighbourhoods – an increase of 1 200 families and nine neighbourhoods vs 2019. These informal settlements are inhabited mostly by workers, many of whom are migrants, and families with insufficient income to access conventional housing. Public authorities often enact demolitions and evictions without ensuring suitable alternative housing arrangements, which can exacerbate rough sleeping. Additionally, there are several informal settlements inhabited by Roma families across the country, which are often segregated ([355]) and lack access to electricity, water and adequate sanitation. The result is that 78% of Roma people suffer housing deprivation, according to the 2024 Fundamental Rights Agency's survey on Roma population ([356]).

([353])The number of NPISAs increased from 19 in 2019 to 38 in 2025, supported by ESF+ and coordinated under the 2025-2030 national strategy for integration of people in homelessness.

([354])Example of reports: 'Barracas na área de Lisboa: O regresso de um problema que nunca desapareceu', 28.09.2025, http://www.publico.pt/2025/09/28/infografia/barracas-lisboa-regresso-problema-desapareceu-talude-loures-amadora-almada.

([355])Example of Civil society reports: Cemitério dos Vivos, Rádio Renascença, https://especiais.rr.pt/o-cemiterio-dos-vivos/intro.html.

([356])Rights of Roma and Travellers in 13 european countries - perspectives from the Roma survey 2024, Fundamental Rights Agency, 2025