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# Shrinking Cities for Economic Growth? Insights From the Housing Sector

António Ferreira <sup>1</sup> , Kim C. von Schönfeld <sup>1,2</sup> , Fanny Augis <sup>1</sup> , and Paulo Conceição <sup>1</sup> 

<sup>1</sup> CITTA—Centre for Research on Territory, Transports and Environment, University of Porto, Portugal

<sup>2</sup> Department of Civil Engineering, Western Norway University of Applied Sciences, Norway

**Correspondence:** António Ferreira (acf@fe.up.pt)

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## Abstract

This research focuses on examining how the pursuit of economic growth can contribute to urban shrinkage. In contrast to the prevalent definition of urban shrinkage that links population loss to insufficient levels of economic growth, this study examines the case of Coimbra, Portugal, where something different is happening. We hypothesise that Coimbra experiences population loss due to urban policies that promote economic growth through housing speculation. We conclude that the hypothesis is valid using semi-structured interviews and document analysis as data collection methods. The identified phenomenon disproportionately affects younger and vulnerable residents, forcing them to relocate due to unaffordable housing options. However, it benefits the local authority and national government, which collaborate with global economic powers that invest in real estate to accumulate capital. The conformist and legalistic-bureaucratic nature of the Portuguese planning system, evident in Coimbra’s local authority, exacerbates the problem. We emphasise the potentially transformative impact of economic degrowth thinking on housing policy. The implications of this research question the validity of mainstream economic theory as commonly applied to urban planning.

## Keywords

Coimbra; economic degrowth; housing; population loss; Portugal; urban shrinkage

## 1. Introduction

This article argues that the housing crisis in Europe and beyond, along with urban shrinkage, stems from the neglect of economic degrowth principles in urban planning.

According to Kallis (2018), “degrowth” refers to a transformative process where social and environmental conditions improve because of a decline in gross domestic product (GDP). This transformation occurs as various activities, places, institutions, and ecosystems are no longer seen as expendable resources to fuel economic growth but as values to be preserved and nurtured.

In contrast, “urban shrinkage” involves a demographic decline in cities, often resulting in negative consequences such as deteriorating housing conditions, weakened social networks, and reduced well-being (Bernt, 2009; Martinez-Fernandez et al., 2012). Many views on urban shrinkage suggest that declining economic activity leads to population loss, which worsens economic decline in a downward spiral. It is, therefore, considered necessary to promote economic growth to address urban shrinkage. This article aims to highlight flaws in this definition.

We argue that urban shrinkage often follows a distinct chain of causality contrary to expectations. Instead of contributing to preventing and addressing urban shrinkage and associated problems, efforts to bolster economic growth typically induce population loss and negative well-being outcomes for many cities. This occurs through two primary mechanisms. Firstly, pro-growth policies striving to enhance cities’ competitiveness based on GDP rankings benefit winning cities with heightened economic activity, attracting residents seeking opportunities. In contrast, less competitive cities experience population loss and financial instability, inhibiting future economic growth. Secondly, attempts to revitalise shrinking cities through additional pro-growth policies often spur even more destructive forms of economic growth, like property speculation, exacerbating economic hardship for vulnerable households and prompting further out-migration. In such instances, urban shrinkage reflects a zero-sum game, where demographic and well-being decline in less competitive cities fuels prosperity for some at the expense of others.

The housing sector became a lucrative domain for investors due to the exhaustion of global investment opportunities, giving rise to the “real estate state” (Stein, 2019). This governance model relies on counterproductive “spatial fixes” (Harvey, 2001) focused on housing, aiming to maximise housing costs for increased private profits, national taxes, and municipal revenues. Using the case of Coimbra, Portugal, this article illustrates how residential construction is subject to a 23% VAT rate, along with additional taxes like municipal property tax (IMI), property transfer tax (IMT), and various direct and indirect fees that burden developers and future owners. Delays in the approval and inspection process, particularly substantial in Coimbra (Ferreira, 2020), lead developers to adopt inflated profit margins to compensate for sluggish bureaucracy (C. Pinto et al., 2023). Through this, the planning system creates a perverse incentive logic in which the state and local authorities are financially rewarded for their own inertia. This is particularly relevant in an international context where the excessive deficit procedure has shaped European political philosophy, although it has been heavily criticised (e.g., Costantini, 2017; Varoufakis, 2018).

The excessive deficit procedure, a component of the European Stability and Growth Pact, monitors and rectifies member states’ budgetary policies to ensure that deficits and public debt remain below agreed-upon thresholds relative to GDP. While ostensibly aimed at upholding fiscal stability, this procedure has prompted countries such as Portugal to implement additional and or heavier taxes to comply, placing a strain on vulnerable individuals and communities while crippling national sovereignty (Blyth, 2013; Varoufakis, 2018). Portugal now concentrates on maximising GDP and simultaneously imposes heavy taxes to fulfil the pact’s requirements, which is a challenge since it cannot absorb economic shocks via monetary

policy (Stiglitz, 2016). Consequently, the Portuguese state forfeits much of its economic leverage and becomes self-contradictory, prioritising GDP growth while imposing taxes that stifle the economy. Real estate state policies are deployed to navigate an environment of imminent budget cuts, exacerbating social inequalities and undermining the long-term economic sustainability of multiple urban areas, which are treated as financial assets. This redistribution of capital concentrates wealth among a select few, eroding the social utility of the housing sector and inflating its market value.

This article, targeting an international audience, employs Coimbra, Portugal, as a case study representing the Southern European periphery. Following Romano (2012) and Tulumello (2023), we emphasise the significance of insights from peripheral regions in reshaping concepts, theories, and practices concerning degrowth, urban shrinkage, and housing policies. While acknowledging, in line with scholars such as C. Pinto et al. (2023), that Portugal's high housing prices align with trends imposed by European and global fiscal policies, we underscore the importance of studying cases like Coimbra. They provide nuanced insights into the complex interplay among international financial policies, national planning systems, local policies, and the potential of degrowth thinking, alongside the drawbacks of prevailing pro-growth economic ideas. Hence, this article deliberately adopts an ideological stance to prompt planning scholars, policymakers, and practitioners to incorporate degrowth thinking into planning theory and practice, thereby decolonising national planning systems from pro-growth hegemony. In doing so, the article addresses the hypothesis posited by Haase et al. (2013), which proposes that urban shrinkage lacks grand explanatory heuristics. We question the validity of such a hypothesis by arguing that the pro-growth ideology of contemporary urban policy might be a key driver of urban shrinkage, even though it has unequal consequences across distinct geographies.

The empirical findings, derived from extensive semi-structured interviews with local stakeholders and a thorough document analysis spanning the past two decades, underscore the necessity of reforming Portugal's planning system to tackle housing and economic challenges in cities like Coimbra. Coimbra must balance pursuing a suitable economic model and reversing the population decline and ageing trend. Within this context, Janin-Rivolin's (2017) proposition that Portugal must move away from its "conformative" planning system holds relevance. Conformative planning systems, as delineated by Janin-Rivolin (see also Faludi, 2000), prioritise granting development permissions based on the morphological alignment of proposed projects with legally binding master plans crafted through a top-down architectural approach. However, these systems fall short in capturing the public value of new projects, as they prioritise morphological objectives over social well-being goals. This conformative approach renders the Portuguese planning system ineffectual in addressing the housing crisis, as it exacerbates the issue despite ostensibly seeking solutions. Recent efforts to enhance the Portuguese planning system's agility through implementing the SIMPLEX model of urban management (L. Pinto, 2024) have been met with scepticism by national planning experts. Experts contend that such measures will foster greater social exclusion and price escalation. Examining shrinking cities through a degrowth lens holds promise as it provides opportunities to reconsider urban planning theory and practice, thereby promoting social well-being beyond the confines of economic growth and profitability imperatives that lead to the emergence of instruments such as the SIMPLEX.

The article is structured as follows. Sections 2 and 3 discuss the literature on urban shrinkage and degrowth studies as related to the housing sector. Section 4 describes methodological choices, and Sections 5 and 6 present the empirical findings. Section 7 presents a discussion, and Section 8 concludes the article.

## 2. Urban Shrinkage and Housing

Academic research increasingly focuses on the challenges posed by “shrinking cities” or “urban shrinkage” as this phenomenon becomes more pronounced globally (Haase et al., 2014; Martinez-Fernandez et al., 2016). Urban shrinkage is characterised by population decline and presents a paradoxical challenge to the prevailing growth paradigm in urban policy (Sousa & Pinho, 2015). It is typically attributed to factors such as globalised production systems, factory relocations, out-migration, economic downturns, ageing populations, inadequate local governance, and policies promoting economic competition among cities at national and supranational levels (Escudero-Gómez et al., 2023; Haase et al., 2013; Wolff & Wiechmann, 2018). These factors create self-reinforcing mechanisms, as noted by Hartt (2018). The drivers and consequences of urban shrinkage are diverse, cross-sectoral, and interconnected, leading scholars like Haase et al. (2013) to argue that urban shrinkage defies one-size-fits-all explanations. Instead, each city experiences its unique shrinkage trajectory.

Coping with urban shrinkage is a challenge because it goes together with selective migration patterns that often leave behind vulnerable groups such as the poor, the elderly, and the less educated. Efforts to combat shrinkage through city marketing can further impact these vulnerable populations (Fol, 2012). Importantly, urban shrinkage is not incompatible with economic growth. As Berglund (2020) notes, considering Detroit, private and corporate interests and philanthropic foundations are intertwined, driving a profit-driven, growth-oriented, and inequitable development agenda in selected areas of this shrinking city.

Housing is particularly vulnerable to the impacts of urban shrinkage, as population decline typically results in decreased housing demand and increased vacancy rates (Hoekstra et al., 2020; Martinez-Fernandez et al., 2012; Wiechmann & Pallagst, 2012). This often leads to disinvestment in housing, deterioration of well-being (Martinez-Fernandez et al., 2012), and infrastructure decay (Bernt, 2009). Housing redevelopment strategies are frequently employed to address these challenges (Döringer et al., 2020), including demolition programmes (Béal et al., 2019; Bernt et al., 2017; Hackworth, 2016; Hoekstra et al., 2020), reconstruction to enhance residential attractiveness (Fernandez & Hartt, 2021; Fol, 2012; Miot, 2015), and housing governance changes (Bernt, 2009; Cocks & Couch, 2012). However, there is little consensus on the efficacy of alternative housing strategies for shrinking cities. Demolition of surplus housing, known as right-sizing, aiming to align supply with reduced demand, has yielded mixed results (Béal et al., 2019) and has been criticised as an austerity measure (Hackworth, 2019). Selective housing decommissioning, focusing on unattractive housing segments, or repurposing cleared land for green infrastructure can foster predatory investment and gentrification (Akers et al., 2020; Hackworth, 2019). Strategies to enhance residential attractiveness often target the upper and middle classes, exacerbating segregation and failing to address urban shrinkage (Fol, 2012; Miot, 2015). As Wiechmann and Pallagst (2012) observe, the limitations of housing policy interventions in shrinking cities primarily stem from addressing the symptoms rather than the causes of urban shrinkage.

## 3. Degrowth and Housing

The degrowth perspective presents compelling arguments against the relentless pursuit of economic growth, often a primary driver of urban shrinkage. By stating this, we challenge the hypothesis proposed by Haase et al. (2013) that no overarching heuristic can explain urban shrinkage. While conventional narratives on shrinkage typically attribute it to complex dynamics, we posit that it is primarily caused by promoting pro-economic

growth urban policies, which inherently lead to economic crises (Fraser, 2014; Harvey, 2001). Confirming this, Kallis (2018) argues that constantly promoting economic activity leads to wealth accumulation at the expense of environmental degradation and diminished living standards among vulnerable communities first and then among all. Such arguments align with the law of diminishing marginal utility, which states that beyond a certain threshold, the benefits of growth become marginal compared to its costs (Daly, 1999). However, suppose one assumes that GDP must continually grow. In that case, economic agents eventually necessitate resorting to destructive forms of economic activity, even if doing so results in crises and urban shrinkage.

The law of diminishing marginal utility challenges the prevailing wisdom of pro-growth ideology, which assumes that continued economic expansion is indispensable for societal well-being. Growth proponents argue that sustained economic growth is required to support higher wages, robust pension schemes, improved national healthcare, enhanced education systems, and social benefits. This vision has significant flaws: Despite decades of continuous economic growth, real wages have declined, and essential social systems such as pension schemes, healthcare, and education have been dismantled or severely degraded, often to achieve economic growth. Furthermore, historically and in the present, there is evidence that society can experience great well-being without economic growth and without using indicators such as GDP to inform policy-making (Graeber, 2012; Jackson, 2017; Raworth, 2017).

Green growth and the circular economy have become popular strategies to supposedly overcome the tension between economic growth, social justice, and environmental protection. However, closer examination shows that such strategies rely on the monetisation of nature (which does not protect nature from destruction but only from non-monetised destruction) and on the promotion of technologically enabled efficiency (which triggers rebound and induction effects, i.e., both increased and additional resource consumption resulting from efficiency improvements; Lange et al., 2023; Unmüßig et al., 2012).

In summary, sustaining economic growth necessitates the continual creation of innovative methods and narratives that entail environmental degradation and the conversion of free and public goods into profit-driven economic activities, measurable in GDP assessments (Ferreira & von Schönfeld, 2020; Kallis, 2018; Pilling, 2018). However, as ecological concerns mount with the looming environmental catastrophe, growth fuelled by environmental exploitation becomes increasingly costly. In response, the housing sector has emerged as a crucial solution. As elucidated by Harvey (2001), capitalism has a propensity to deplete the means by which profits are amassed, necessitating the regular colonisation of new territories, areas, and sectors for continued exploitation. Consequently, places and sectors that previously experienced economic prosperity eventually face decline. With the depletion of the planet's resources and social capital, capitalism has turned its attention to housing, emerging as a lucrative investment opportunity (Stein, 2019). Governments have acquiesced to this reality. Amidst a global economic downturn, they pursue increasingly unethical strategies to sustain economic growth. We contend that urban shrinkage and its societal problems result from implementing such strategies.

## 4. Methodological Remarks

### 4.1. Case Study

Coimbra encapsulates several pivotal themes discussed earlier. For instance, the city actively pursued heightened international competitiveness and visibility by securing, in 2013, UNESCO recognition as

World Heritage for its university and surrounding areas. This has underscored its reputation as an elite university town. However, this strategy came at the expense of making urban regeneration difficult around the university (Ferreira, 2020) while compromising other sectors that did not align with the adopted elitist vision for the city, notably industrial and blue-collar economic activities, leading to a decline in overall job opportunities.

Moreover, Coimbra has witnessed a decline in its population over the past two decades, dropping from 148,443 inhabitants in 2001 to 140,816 in 2021, a loss of  $-5.14\%$  over 20 years. This population decline is noteworthy when compared to the regional average loss of  $-4.46\%$  across Coimbra and its neighbouring municipalities, including Cantanhede, Condeixa, Lousã, Miranda do Corvo, Montemor-o-Velho, and Penacova. Population losses in Coimbra are resulting in a rapid ageing process. In 2001, the proportion of Coimbra's population over 65 years was 16.5%. In 2011, this ratio rose to 20.1% and in 2021 to a record of 25.2%.

There has also been an increase in the number of households residing in overcrowded dwellings, rising from 4,221 in 2011 to 5,296 in 2021. Additionally, there has been a surge in the median value per square meter of dwelling sales, with Coimbra experiencing a 58% increase from 2016 to 2023, compared to the regional average of 53%. Therefore, Coimbra is characterised by above-average population loss and above-average rise in residential costs. Despite a 17.9% increase in the median value of gross reported income per tax household from 2015 to 2021 in Coimbra, this growth has clearly not kept pace with soaring residential costs.

The values presented above resonate with the regional commuting patterns. The proportion of Coimbra's resident population that commutes to another municipality is just 8.9%, while the region's average value (including Coimbra) is 24.6%. The proportion of the population who lives in living quarters most of the year and works or studies in Coimbra is 14.2% for Cantanhede, 21% for Lousã, 29.4% for Montemor-o-Velho, 33.8% for Penacova, 36.3% for Miranda do Corvo, and 42.3% for Condeixa.

Table 1 compares the value of real estate in Coimbra in 2023 (second quarter) with the surrounding municipalities, highlighting significant differences.

**Table 1.** Median value per square meter of real estate in Coimbra and surrounding municipalities.

Municipality	Median value per m <sup>2</sup> 2023	Median value per m <sup>2</sup> 2023 (Coimbra = 100%)
Coimbra	1,699	100%
Cantanhede	772	45%
Condeixa	1,103	65%
Lousã	859	51%
Miranda do Corvo	598	35%
Montemor-o-Velho	843	50%
Penacova	542	32%

Source: Authors' work based on data from Statistics Portugal (2023).



## 4.2. Methods

A qualitative research approach was employed, including in-depth semi-structured interviews conducted with key stakeholders and experts closely connected to Coimbra's housing market, utilising the foundational questions outlined in Annex 1 of the Supplementary File. A total of eight individuals were interviewed, representing various activity sectors, including architecture, tourism development, international commerce, economics, NGOs, transportation, and real estate (see Annex 2 of the Supplementary File). The selection process for interviewees involved a stakeholder mapping exercise conducted through online research and previous work on the local and national housing market by the authors. These efforts aimed to ensure representation from diverse stakeholders. The respondents' names were omitted to safeguard anonymity. The interviews were analysed to identify recurring themes and patterns.

News coverage of street protests throughout 2023 and early 2024 was monitored, alongside the identification of local policy documents pertaining to housing policies over the past two decades. Broader economic and urban policies, master plans, regulations, and local-government-funded rehabilitation initiatives were sought (see Annex 3 of the Supplementary File). Document analysis aimed to validate interview findings and scrutinise the municipality's rhetoric used to justify decisions discussed by interviewees. Given the reluctance of local authority staff to participate in interviews, contact with municipal representatives was not pursued, understanding the sensitive nature of such requests in Portugal and Coimbra in particular. While news regarding housing protests was tracked through national and local outlets, including newspapers and social media platforms, this data was not extensively analysed. Subsequent interpretative analysis categorised themes into general and planning-related factors driving high property values in Coimbra.

## 5. General Drivers of High Property Values

All interviewees and several documents confirm that the attractiveness of Portugal for investors and tourists is an important factor explaining the high property values in Coimbra. The soaring housing costs, in turn, are a major driver of urban shrinkage, as an increasing share of the population cannot afford housing in Coimbra and moves to other cities or the periphery. Coimbra's car-dependent culture facilitates this mobility. Aggravating this, Coimbra offers limited career prospects for people wishing to settle permanently, as the university is the city's only major economic agent. Policy documents show a clear interest in catering for the needs of tourists and short-term residents (especially students and visiting academics), not only for urban regeneration and financial revitalisation purposes but also because this aligns with the city's understanding of itself. This, in turn, discourages economic actors from investing in initiatives that would create jobs in the city and instead invest in property. The result is the perpetuation of Coimbra as a socially exclusive city that lives in the shadow of its historical university. The following quote illustrates this well:

Coimbra is a rare case of a city where a significant part of the inhabitants are not natives or residents, which is obviously due to the university's relevance in its daily life and structures. The university is the unifying element of Coimbra life and community, which, in turn, projects itself through a diaspora. There is a feeling of Coimbra that is not experienced in the city but in memory. (Parque EXPO, 2012, p. 5, translated by the authors)



In essence, the Strategic Urban Rehabilitation Programme (Parque EXPO, 2012), supported by the local authority, acknowledges Coimbra as a city that attracts people temporarily, mainly due to its university. Efforts to stimulate the city's economy and initiate urban revitalisation should align with this understanding, ruling out alternative future visions. Allowing extensive investment in real estate emerges as a natural response to this perceived absence of alternatives.

During the interviews, value creation through tourism and real estate investment was seen as easy due to several factors, including the country's good weather, landscapes, and gastronomy (for insights, see Visit Portugal, 2017). The government has taken measures to attract investors and tourists to Portugal since the 2008 economic crisis began, including favourable tax conditions for wealthy international residents (the Golden Visa policy). However, the situation might be changing. As an interviewee said:

Tourists are getting sick of Portugal. They realise that we are exaggerating and that the quality–cost relationship is becoming unbalanced. They go to a restaurant and are charged 10 euros for a pot of olives with some bread. It is ridiculous. This dissatisfaction is noticeable. (Transport sector expert, male)

Despite these concerns, during the Covid-19 pandemic, the housing market remained unaffected, and prices continued to rise as international people sought an escape from denser central European areas. Portugal is on the European periphery, which creates distance from situations such as the war in Ukraine. The outcome is that Portugal and Coimbra have seen significant foreign investment in housing. This makes it unsurprising that many residents cannot afford housing in Coimbra, a city long characterised by socially exclusive features:

The geography of Coimbra is prone to induce high property values. Coimbra has a natural belt formed by the river and the high hills surrounding it. It is also a hilly city with some scarcity of flat land. All this makes it relatively difficult to expand the city and build more....The situation is aggravated by Coimbra being a car-dependent city with poor in–out road connections....This makes living in the core city much more appealing than outside it. (Senior real estate agent, male)

Nevertheless, an exodus to the periphery of Coimbra and nearby smaller towns is ongoing. An architect who manages a large national architecture firm active in Coimbra explained this exodus that is happening in various Portuguese cities, including Coimbra, as follows:

We are living in an economic crisis, but a crisis that does not affect real estate investors—For them, there is no crisis whatsoever. Their representatives constantly show up in my office, talking about wanting to make massive investments in buying this or that property and asking for help with the projects....They remind me of slavers or owners of farms in colonial Africa. They don't care about what is happening with the people. They want to know how much money they can make with their farms or, now, their buildings. (Senior architect, manager of a large national architecture firm, male)

Despite the difficulties caused by property investors, the housing sector remains lucrative, and investors continue seeking ways to maximise returns. Combined with tourism, these investments help keep GDP growth high while contributing to the regeneration of buildings and sometimes entire neighbourhoods, favouring richer populations. This association of housing and tourism leads to a new phenomenon: real estate tourism. As said by the interviewee above:

I have a contact who organises holidays for wealthy tourists. He goes to the airport to receive them and offers a prime experience with the best hotels and restaurants. A part of the entertainment is to visit top properties, always above one million euros. They find these visits extremely entertaining. Sometimes, they buy the properties, and he receives his share as a real estate agent. Real estate tourism is becoming a new thing.

Both central and local governments are unwilling to change the situation. The real estate sector might collapse if measures are taken to curb the prices that appeal to international investors, as an International Chamber of Commerce representative noted during an interview. The government also wants to avoid this fall in property values because it would trap many Portuguese families in mortgages on properties without transaction value. As a result, the 2016 Strategic Development Plan for Coimbra, while stating the ambition to provide “dignified housing for all,” allocates funds for the construction of social housing or the improvement of existing social housing exclusively to the city’s most distant and unattractive outskirts, and not to the central areas where profitable real estate investments are expected. This maintains housing values high, which is desirable for the older population segments who acquired housing before the real estate boom, a point confirmed by C. Pinto et al. (2023). As described by an interviewee:

What explains the high housing prices in Coimbra? Many factors. There have been very limited new houses in Coimbra for at least 10 years....All were oriented to the city centre and luxury markets; all were oriented to promote social exclusion in the city. This can be done because Coimbra has two high-level employers: the university and the medical sector. Some senior people working in the medical sector enjoy very high incomes, and new urban developments are oriented toward their expectations. This is a town with a small amount of people with much money. It is a pure spatial reflection of social inequality. (Senior architect, manager of an architecture firm based in Coimbra, female)

The lack of affordable housing options for families and the proliferation of profit-seeking small flats in the city centre tailored to tourists, students, and digital nomads exacerbate this inequality. Moreover, the country’s housing and financial markets force many to purchase homes with indexed interest rates, threatening households’ economic viability if rates increase. Rents are also rising, and the middle class is disappearing, as confirmed by an NGO representative, who mentioned that many people expect them to act as real estate agents. Their key problem is finding affordable homes (or just rooms or beds) to rent. She also described how the homeless are expected to find homes outside the city since there is no space for them inside its gentrified borders. However, public transportation options are still limited, and these people struggle to make longer commutes without cars they cannot afford.

Improving social well-being is far lower on the agenda for the local authority than luxury housing. However, social well-being is more at risk than ever since the European Central Bank imposed heavy interest rates to reduce inflation. The suspicion exists among dissident voices that the European Central Bank’s goal is to facilitate profits among creditors instead of, as claimed, reducing inflation. This was a key argument behind the demonstrations in April and September 2023 and January 2024 in multiple cities across Portugal, including Coimbra. The demonstrations mobilised large crowds and received high media coverage (e.g., “Casa para viver, planeta para habitar,” 2023). At the time of writing, the website of the organisation Casa Para Viver (House to Live) that organises these demonstrations presented this manifesto:

We do not accept that the costs of renting a house are greater than our salary, which never increases when everything else does, and—despite that—they have just imposed another 7% increase in rents on us...at our expense, banks and real estate funds continue to accumulate historic profits! Yes, historic—Portugal's banking sector makes over 12 million euros daily. (Casa Para Viver, 2024)

The perception that the European Central Bank's high-interest rates policy primarily benefits the financial sector is founded on empirical data. While the Portuguese bank CGD only increased its profits in the first semester of 2023 by 25%, BCP managed to increase them by 580% (Maria, 2023; see also Bhattacharyya et al., 2023). As loans and rents become economically unfeasible for more households, developers increasingly cater to those who can buy luxury properties without loans, further contributing to rising property prices.

## 6. Planning-Related Drivers of High Property Values

Interviewees described the local authority and the university as institutions that care little about the social consequences of their actions and inactions, leaving profit-driven private investors to explore the housing crisis they jointly create. Confirming previous research findings on Coimbra (Ferreira, 2020), the local authority was described as restrictive, slow, and bureaucratic, particularly in granting building permits. Obtaining a building permit in Coimbra is a process that can take years, creating a low housing supply despite pressing housing needs. As the interviews and document analysis confirm, the Portuguese planning system legitimises this conduct by prioritising the defence of private property rights and the enforcement of architectural design rules over creating strategies for prosperous cities with an equitable and dynamic housing sector. This increases property values and reinforces Coimbra's tendency to lose population while serving the interests of the wealthy, who want Coimbra to continue gentrifying. As one interviewee stated, "What blocks the issuing of new construction permits [in Coimbra] is the will to maintain existing property values as high as possible" (senior real estate agent, male).

This difficulty in obtaining permits leads investors to force elevated profit margins on their projects, further driving up prices. According to an interviewee, this tendency was aggravated by high inflation:

Inflation is soaring....The reason? Well, it's a mix of Portuguese business owners speculating and raising prices like crazy at the first sign of increased costs....Plus, dealing with the local authority of Coimbra is a real pain due to endless bureaucracy and red tape. This forces businesspeople to defend their interests, and since their mentality is all about protecting themselves, the situation goes out of hand. Note that businesspeople are afraid of the local authority and never complain....And then we get what we have now. (Senior economist based in Coimbra, male)

It is, therefore, unsurprising that some interviewees criticised the local authority and the university for dismissing student housing issues. The prevalence of investor-driven student housing has created problems for long-term residents and the broader community as follows:

A very small number of investors have bought many buildings in Coimbra to rent them to students. This was initially considered good because they were regenerating the buildings. But now it is seen as a problem because they are transforming building after building into compounds of studio flats and

rooms for renting....Due to negligence, the local authority and the university created a huge business for a minority of investors and a huge problem for most residents. (Senior architect, manager of an architecture firm based in Coimbra, female)

Indeed, the reluctance of the local authority and the university to constructively engage with the local community was regularly mentioned in the interviews in resonance with the following lines:

The local authority is failing to communicate with investors, civil engineers, and architects responsible for developments....The University of Coimbra became impaired by its centuries of history and tradition. It takes years to make basic decisions....The result is that change is needed in Coimbra, and it just doesn't happen. (Senior real estate agent, male)

The new metro system, a flagship project of the current local administration, has overshadowed the housing crisis, which has not received priority. This real estate agent added that the metro system will increase property values while peripheralising vulnerable populations. In other words, while the university is disengaged, the local authority lacks both efficacy and a clear vision for the city, which, combined with the conformative nature of the Portuguese planning system, has contributed to a disjointed and speculated urban landscape. As an interviewee has put it:

In Portugal, landowners do their best to speculate on land even before it is possible to speculate on housing. First, land speculation; second, housing speculation....In one moment, someone has a piece of forest or rural land. Next, a new master plan determines that this land is for urbanisation. Bang! You have an instantaneous millionaire. (Owner and manager of housing development for tourists in Coimbra, male)

Another interviewee presented this situation differently while focusing on Coimbra:

We have a logic where the state is not supposed to determine what people do with their land. The state can only respond to people's development proposals and then assess whether they fit the box of the master plan. The problem is that it is very easy to make things fit in this box when you have enough money to pay professionals whose expertise is precisely to convert money into things that fit the box, namely architects and lawyers....Coimbra's local authority passes building permits based on legalistic principles and ludicrously detailed morphological rules. It remains oblivious to the city's key issues. (Senior architect, manager of a large national architecture firm, male)

## 7. Discussion

The research findings underscore Coimbra's need to address its housing crisis. Effective actions could incorporate economic degrowth theories into urban planning (Ferreira & von Schönfeld, 2020; Leick & Lang, 2018; Savini et al., 2022). Contrary to dominant views advocating for sustained economic growth to address urban shrinkage problems, this research reveals the flaws in converting homes into pro-growth financial commodities. This has significant negative social repercussions, making Coimbra an unwelcoming city, particularly for its younger and more vulnerable populations. Consequently, the city experiences crippling population losses, hindering economic activities, and deteriorating living conditions. There is a need to

diminish the economic value of the housing sector to promote the city's prosperity, creating conditions for an increase in affordable housing and population rejuvenation.

This housing crisis is exacerbated by a national planning system that conflates defending property rights with promoting the public interest. This planning system is also criticised for focusing too much on bureaucratic-legalistic rules favouring property owners and “conformative” (Janin-Rivolin, 2017) morphological principles aimed at materialising architectural visions. A shift is proposed to grant development rights in Portugal only when the public interest in a new development is confirmed, departing from the assumption that such rights belong to property owners and that the planning system should drive economic growth. While acknowledging the power of European policy influences, the practical measures proposed by interviewees could improve the situation and challenge the European pro-growth housing model critically described by Tulumello (2023).

Implementing a new comprehensive housing plan in Coimbra, addressing inequality and affordability, and constructing social housing at controlled prices were measures often suggested during interviews. Indeed, it remains paradoxical why housing developments are so profitable, yet the state consistently dismisses the opportunity to build them. A new master plan should prioritise public value capture and the construction of affordable housing over delineating legalistic and morphological principles that benefit predatory developers. Exempting younger generations from housing taxes and promoting economic diversification would be constructive. The attraction of businesses offering stable, well-paid jobs might gather acceptance among wealthier residents, offering them investment opportunities beyond housing speculation.

The measures proposed oppose the views of C. Pinto et al. (2023), who argue that a key problem in Portugal is the unwelcome interference of the state in the housing market. This interference increases housing costs as investors compensate for the delays and uncertainties imposed by the planning system with higher profit margins while refusing to invest in affordable homes. They argue that it is necessary to permanently liberalise the Portuguese housing market so that investors can assess it as predictable and trustworthy. They add that this would increase housing production and induce lower housing costs due to supply adjustments to demand.

Even though we agree with the identified problem, we disagree with the proposed solution. The research findings confirm that reducing bureaucratic hurdles would encourage housebuilding and help alleviate the housing shortage. However, despite growing supply, new measures could easily be implemented to maintain high-profit margins. The ability of the ongoing partnership between the state, banks, and real estate investors to maintain high residential values even during the Covid-19 crisis demonstrates their resourcefulness and the low validity of the supply and demand law in the housing sector. It is concerning that planning theory has not yet contributed to a deep reformulation of such a simplistic construct. Instead, planning practice continues to be shaped by it.

Any restructuring of the *planning* system must be carefully *planned*, which cannot be achieved through ideologically driven liberalisation and pro-growth market-led supply adjustments to demand. Despite being dissolved by the Portuguese president over corruption suspicions (Claudino & Céu, 2023), the outgoing state executive is implementing the SIMPLEX, a simplistic set of rules endorsed by Decree-Law No. 10/2024, effective January 8. It curtails the authority of local governments in development control, shifting responsibility for technical and legal compliance to architects and engineers hired by developers, thereby

creating a perverse conflict of interest for these professionals. According to prominent national planning experts (see L. Pinto, 2024), this liberal approach will yield adverse consequences, fostering legal and technical uncertainties as local authorities overlook potential issues until the final stages of construction, potentially leading to unsafe or unusable buildings. Developers and owners will resort to private insurance coverage, likely driving up property prices. With heightened risks in the housing market, insurance companies are poised to capitalise on this new profit opportunity.

The SIMPLEX exemplifies how prioritising the expectations of pro-growth economic stakeholders consistently blocks actions effectively aligned with the public interest, fostering cycles of makeshift solutions for extracting monetary value through increasingly outlandish means. One interviewee, a senior architect and manager of an architectural firm in Coimbra, emphasised the threat to the public interest the SIMPLEX represents. According to her, this legislation fails to engage local authorities constructively; instead, it seeks to dismiss them of their responsibility to safeguard public welfare by aligning with liberal principles. The SIMPLEX appears designed to dismantle the local state in favour of unchecked economic growth, undermining efforts for genuine planning system reorganisation geared towards fostering public well-being. The future is unclear, but the outlook is bleak for vulnerable households.

## 8. Conclusion

This article delved into the complex relationship between urban shrinkage, degrowth studies, and the housing sector. Empirical insights were gathered from interviews conducted in Coimbra, Portugal, alongside document analysis and news monitoring. The conclusions underscore the urgent need to address Coimbra's housing crisis and mitigate social inequality.

The article challenges the conventional wisdom of promoting indiscriminate economic growth as a panacea for societal well-being and prosperity. The evidence reveals that while the commodification of housing may fuel economic growth and finance national and local governments, it engenders severe social repercussions, making cities like Coimbra inhospitable for younger and vulnerable populations, thus leading to urban shrinkage. A revaluation of the economic value attached to housing to foster city-wide vitality is advocated, potentially increasing the availability of affordable housing, a critical need. Moreover, the housing crisis in Coimbra (and Portugal) is attributed to a national planning system and local authorities prioritising morphological rules and property rights over the public interest. Recommendations include redirecting the planning system focus on prioritising the public interest in new developments before granting development rights, abandoning morphological imperatives, and making the procedures required to grant building permits more predictable and faster (but not simplistic).

While acknowledging the overriding impact of European policies, this study proposes measures to improve the situation locally, including implementing a comprehensive housing plan, re-evaluating planning regulations, exempting younger generations from housing taxes, and promoting economic diversification. Caution is urged in reforming the system, though. The enforcement of SIMPLEX, a streamlined set of rules for new urban developments in Portugal published as national law in January 2024, is critiqued for increasing legal and technical uncertainties likely to escalate housing costs further. Future research should assess the impacts of this abrupt liberalisation of the Portuguese planning system.

Overall, this research cautions against equating promoting economic growth with advancing the public interest. A deliberate restructuring of planning systems rooted in economic degrowth theorisations is recommended instead to address the *shrinking for growth* paradox.

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### Conflict of Interests

The authors declare no conflict of interests.

### Supplementary Material

Supplementary material for this article is available online in the format provided by the authors (unedited).

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## About the Authors



**António Ferreira** is a principal researcher at CITTA—Research Centre for Territory, Transports and Environment, University of Porto, Portugal. His current research interests focus on post-growth societal futures, disruptive urban governance, critical approaches to smart cities and technologies, and child-friendly cities. António is also a yoga and meditation teacher and personal trainer, actively incorporating insights from these embodied disciplines into his academic work. He is a member of the Portuguese Association of Urban Planners.



**Kim C. von Schönfeld** is a researcher in the field of planning, working on public participation, mobility planning, out-of-the-box thinking, social learning, critical innovation studies, degrowth and post-growth in relation to planning, and transdisciplinary and intercultural approaches to planning. She is currently a Marie Skłodowska-Curie Post-Doctoral Research Fellow at the Western Norway University of Applied Sciences (HVL), working on the Mobile Worlds project. She is also a collaborating researcher at the CITTA—Research Centre for Territory, Transports and Environment at the University of Porto, Portugal.



**Fanny Augis** holds a master's in Geography from the University of Tours, France. She completed her PhD in Spatial Planning at the University of Porto (2023) within the European project Re-City: Reviving Shrinking Cities Network. Her research focuses on housing and social housing policies, housing and infrastructure in shrinking cities, and spatial planning in small- and medium-sized cities. She is a collaborating researcher at the CITTA—Research Centre for Territory, Transports and Environment at the University of Porto, Portugal.



**Paulo Conceição** is an assistant professor at the Faculty of Engineering of the University of Porto and a senior researcher at CITTA—Research Centre for Territory, Transports and Environment. His research focuses on governance, public policy evaluation, and housing systems and policies, with special attention to issues of institutional dynamics and scalar articulations, collective learning processes, and methodologies for evaluating transformative capacities.