THE IMPACT OF SHORT-TERM RENTALS ON THE URBAN REHABILITATION OF LISBON

Extended abstract

Tomás Perloiro Côrte-Real Cruz
Supervisors: Prof. Dr. Eduardo Brito Henriques and Prof. Dra. Teresa Valsassina Heitor
May 2016

I. Theoretical framework

The tourism in Lisbon has grown significantly in the last ten years. Since 2004 the sector has grown continually1 in intense pace, showing an average annual growth rate of 4,7%2 in the number of overnight stays. In 2004 the number of overnight stays in the Lisbon region was about 7 million and in 2014 it had risen to 11,5 million. This growth is confirmed by the Lisbon airport passenger’s arrivals numbers: there was an increase of 42% between 2004 and 20143. The tourism growth was exceptional in 2013 and 2014, since there was 14,8% overnight stays increase. Lisbon had Europe’s biggest increment of overnight stays in the first half of 2013 (Turismo de Lisboa, 2015).

The reasons for this growth are many and may not all be easy to identify. One of the causes is the rise of Lisbon notoriety worldwide, thanks to a series of important awards and nominations since 2009. Furthermore, Lisbon is a recurrent theme of numerous travel journals and magazines. These awards and publications made Lisbon one of the ‘trendiest’ cities, attracting a growing number of tourists. Another very important factor was the flight connections increment, mainly the low-cost carriers (LCC). “The impact of LCC companies in the European market was actually very significant and responsible for the traffic growth seen in the last 10 years” (Instituto Nacional de Aviação Civil, 2012, p. 11).

In combination with the growth on the demand side there was an increase in hotel and accommodation supply. In the last decade there has been a significant increase in the number of rooms, increasing 20% between 2005 and 2014. In 2015 only, 20 hotels and about 1600 rooms emerged in Lisbon (Turismo de Lisboa, 2015). Along with the supply increase there was also an enrichment and a diversification process regarding tourism products at various levels: diversified hotel units (boutique hotels, thematic hotels, etc.), organization of excellence international events (Champions League or Volvo Ocean Race) and the regeneration of some of city’s key-points (Ribeira das Naus, Terreiro do Paço or St. Jorge castle accessibility).

I.1. Short-term rentals

In this scenery of growth and diversification, the short-term apartment rental was one of the new touristic products emerging in Lisbon. This new touristic typology consists in the short period rental

---

1 Except in 2008 and 2009, a period that corresponds to a worldwide tourism retraction due to the financial crisis.
2 Source: Nacional Institute of Statistics (INE)
3 ibid
of homes for touristic purposes. It is a product based on online platforms – such as Airbnb, Homeaway or Booking – that allows the advertisement, contact and payment in a quick, easy and secure way. It emerges mainly in central residential neighborhoods, which have best qualities for tourists. This kind of accommodation is informal, not only because it takes place in regular houses\(^4\), not aimed at this type of use, but also because it is located on the margins of the traditional hotel industry and distant from established practices.

Short-term rental include different kinds of accommodations – touristic apartment, guest-house or hostel. The touristic apartments consist in regular residential units (apartment or house) rented as a whole. As said, it can be used or not as main residence. Guest-houses work as a lodging establishment where the base unit is the room, including or not other services such as meals. Hostels are lodging establishments in which the basic unit is the dormitory, where people rent beds. Due to the sector informality, this different types of accommodation are not static and it can happen that the same apartment is announced for the whole and for each room at the same time. These distinct kinds of typologies make the short-term rental business a much diversified reality, capable of attracting different clients.

Compared to the traditional hotel industry, the main advantages of short-term rentals are their flexibility, thanks to its regular house characteristics, allowing big groups or to cook like home (JLL, 2015); the reduced priced, since it is not taxed and regulated in the same way (Nicole Braun & Schäfer, 2016); and a more 'local' and 'authentic' experience, allowing tourist to feel as if they were residents, due to its proximity to the quotidian neighborhood dynamic (Stors & Kagermeier, 2015b), which is something all tourists crave for (MacCannel, 1976).

This kind of accommodation, not being really a new reality, since, in some aspects, is close to the experience in medieval inns, has become a very important phenomena in the last years. The spread of short-term rentals is closely linked to the idea of collaborative consumption (Botsman & Rogers, 2010) or sharing economy (Belk, 2014; Zervas, Proserpio, & Byers, 2014). It refers to a consumption made on a peer-to-peer sharing of goods or services. The collaborative consumption may take different forms, in several areas, but it is definitely related with the information technologies, allowing the easy connection between people that are willing to sell and people that are willing to buy. As told, in the tourism sector, this type of economy takes place in platforms like Airbnb, which had a disruptive role that changed the paradigm on tourism accommodation.

Airbnb is one of the causes, but also consequence, of the great changes of the tourism industry happening in the last years – both on demand and supply side – favoring the expansion of short-term rental. On the demand side there was a change in mindset, emerging a new urban tourist, which has stronger will for an ‘authentic experience’ (Cócola-Gant, 2015; Stors & Kagermeier, 2015b). This change is mainly the result of a generational change. This new generation, the millennials, bring a new system of values and desires\(^5\). Finally, the low-cost airlines, which have very cheap flights, had an important

\(^4\) Many residents rent the house on which they live (81% of the accommodations announced on Airbnb (Airbnb, n.d.))

\(^5\) As it is shown by Eventbrite (2014) and Ipsos MORI Global Trends (2014) studies.
role in creating a new concept of low-cost tourism (Vera Rebollo & Ivars Baidal, 2009). This kind of tourism favors the stay in short-term rentals, since, normally, have lower prices (Carr, 2014).

On the supply side there are also several factors that had an essential role on the spread of short-term rentals in Lisbon. First, the insufficient hotel supply in the city’s historic center (JLL, 2015). Then the various law changes that occurred in Portugal – like the new law for urban rents (NRAU, in 2012) or the new law for rehabilitation (2014) – allowing the trade and rehabilitation of several ‘blocked’ buildings, combined with the Lisbon’s Municipality incentives for urban rehabilitation. Finally, and not less important, the economic crisis context, which took people to try to find new ways of income.

I.2. Urban tourism impacts

The urban and tourist studies researchers unanimously admit that tourism has an impact on the places it occurs. (Edwards, Griffin, & Hayllar, 2008; Mathieson & Wall, 1982; Page & Hall, 2003). In fact, it is an activity that brings many benefits but also problems to cities. The identification and measurement of this effects is a highly difficult task due to the complexity of urban systems, which explains the late appearance of this theme in literature. Nevertheless, it is a very important study, in order to maximize the positive aspects and minimize the negative ones.

There are today many studies about the impacts induced by urban tourism, generally divided in three dimensions: economic impacts (Cooper & Morpeth, 1998; Haralambopoulos & Pizam, 1996; Johnson, Snepenger, & Akis, 1994; Liu & Var, 1986; Mathieson & Wall, 1982; Page & Hall, 2003; Perdue, Long, & Allen, 1990; Ross, 1992; Young, 1973); sociocultural impacts (Belisle & Hoy, 1980; Brunt & Courtney, 1999; Cohen, 1988; Crompton & Sanderson, 1990; Fainstein & Gladstone, 1999; Gilbert & Clark, 1997; Gu & Ryan, 2008; Haralambopoulos & Pizam, 1996; Liu & Var, 1986; Ross, 1992; Tosun, 2002; Young, 1973); and environmental impacts (Andercck, 1995; Brunt & Courtney, 1999; Fainstein & Gladstone, 1999; Gilbert & Clark, 1997; Inskeep, 1991; Liu & Var, 1986; Mathieson & Wall, 1982; Perdue et al., 1990). The majority of economic effects are seen as positives, while the social, cultural and environmental ones are seen as negatives or neutral (Tosun, 2002).

Regarding the short-term rentals there is still a lack of knowledge, mainly because of its novelty. Some authors have tried to characterize the phenomena (Greenberg & Rogerson, 2015; Stors & Kagermeier, 2015a) and others analyzed the much debated regulation problem (Miller, 2013). There are also some works about short-term rentals impacts, mainly on the economic (N Braun & Schäfer, 2015; Nicole Braun & Schäfer, 2016; Fang, Ye, & Law, 2015; Scanlon, Sagor, & Whitehead, 2014) and social aspects (Füller & Michel, 2014). However, there are no investigations that address the impact of short-term rentals in the urban physical environment, namely in urban rehabilitation. Given the existence in Lisbon of a substantial increase in rehabilitation, coupled with the exponential growth of short-term rentals, it is legitimate to consider that exists a relationship between the two phenomena.
II. Investigation

Thus, the goal of this work is to study the impact that short-term rental have on the historical center of Lisbon. Two main investigation questions arise:

*Do the short-term rentals have a real contribute for urban rehabilitation?*

This first questions addresses the issue in a quantitative dimension, aiming to understand if short-term rentals have an effective impact in the growth of urban rehabilitation.

*How can the rehabilitation interventions induced by short-term rentals be characterized?*

Besides the quantitative analysis, it is important to investigate the qualitative dimension. Therefore, an effort will be made to understand the interventions induced by this phenomena, by means of four parameters: extension, intensity, duration and project technical support.

II.1. Study area

In order to mark out the investigation, a limited study area was defined within the city of Lisbon: Santa Maria Maior parish. This parish comprises the great majority of the city’s historic center, being an area of great cultural and historical importance. It is one of Lisbon areas with the biggest touristic demand, as it includes some of the most important neighborhoods of the city – Alfama, Baixa, Castelo, Chiado and Mouraria – which have different socio-economic and constructive realities.

Regarding the socio-economic aspects, Santa Maria Maior has had pronounced loss of population since 1991 (it has lost about 40% of resident population between 1991 and 2011⁶) and has a very aged population⁷, thanks to the suburbanization of younger population for a number of reasons. As regard to constructive characteristics, two main typologies can be identified: buildings preceding 1755 and *pombaline* buildings. The first, located mainly in Alfama, Castelo and Mouraria, have exiguous plots installed in a medieval urban fabric (Teotónio Pereira & Buarque, 1995), with very small areas. The seconds are built in generous plots, as a result of root planning of Lisbon downtown after 1755 earthquake, presenting not only bigger areas but also a greater flexibility of use.

Furthermore, Santa Maria Maior parish has a high density of short-term rental units, comprising 1347 of the 4500 registered in the city. This concentration is due not only to the insufficient hotel supply in the historical center, but also to the great percentage of unoccupied buildings existing in the area.

II.2. Methodology

In order to find answers for the initial questions, two study instruments were used: a survey to the short-term rentals holders in Santa Maria Maior and four case-studies, chosen to be representative of the sector diversity.

---

⁶ Censos 2011, INE.
⁷ Ibid.
The survey was prepared between January and February 2016, and carried out in March and April. It was developed in two phases. The first one – phase A – took place in March. It was implemented by the author, through online inquiry. The respondents were contacted by email, telephone and personally; the second one – phase B – occurred in April. It was held in partnership with the Association for Local Accommodation in Portugal (ALEP) through contact by email. The inquiry had as basis the national registry of short-term rentals.

In a universe of 1346 short-term rental units, 193 answers were obtained, representing 14.3%. The answers have a balanced distribution not only in terms of location and constructive typology, as one can see in picture 1, but also in terms of accommodation type (about 91% of the answers refer to apartments, 3% to hostels and 6% to other lodging establishments, which is more or less the distribution of short-term rentals in Santa Maria Maior).

![Distribution of answers by neighborhood and building typology (according to location)](image)

**Picture 1 | Distribution of answers by neighborhood and building typology (according to location);**

*Source: own collection;*

The selection of the case-studies followed one main criteria: show the diversity of interventions induced by short-term rentals. Thus, interventions differing on location, extension, intensity, duration and type of project were found. The chosen case-studies are: **Baixa House** (Rua dos Fanqueiros, Baixa), by the architect José Adrião; **Chiado Apartment** (Travessa do Alecrim, Chiado), by Fala Atelier; **Alfama Watchtower I/II** and **Castle Charm** (Rua das Escolas Gerais, Alfama, e Rua das Flores, Castelo) by Polígono; and **Alfama Terrace** (Travessa dos Remédios, Alfama), by Chão Arquitectos. The study of these four cases was conducted through interviews with the architects responsible by the projects (except for **Alfama Terrace**, in which the owner of the accommodation was interviewed) and site visits.

**III.3. Results: presentation and discussion**

The results obtained in the two ways of research of this work - quantitative and qualitative - allowed a better understanding of the rehabilitation process for short-term rentals which currently takes place in Lisbon. Survey results can be divided into three categories: i. short-term rental profile; ii. conservation state; iii. rehabilitation intervention.

---

8 Available here: www.rnt.turismodeportugal.pt
9 Identified according to location.
i. Short-term rental profile

The first analysis that can be made concerns the number of short-term rental units for building, being from the same or different owners. It appears that the great majority (82%) of buildings covered by the survey has more than one unit and about 45% of the buildings show five or more accommodation units. Within this area, a building that has five or more short-term rentals is totally devoted to touristic use\(^\text{10}\).

As expected, this value has great differences between the several neighborhoods of the study area. The difference between Baixa and Alfama, for example is paradigmatic: in Baixa, about 56% of short-term rentals are located in buildings with more than five touristic apartments, while in Alfama, this number decreases to 17%. These values are directly related with the dimension of the buildings, substantially different in neighborhoods that have a medieval urban fabric, like Alfama, Mouraria or Castelo, and neighborhoods with orthogonal urbanism, such as Baixa or Chiado.

One of the main characteristics of short-term rentals phenomena is the predominance of owned homes whose owners rent out to tourists\(^\text{11}\). However, it has been showed that in Santa Maria Maior 87.4% of the units have only touristic use. Only 6.6% are used as secondary homes and 3.8% as main homes. These values present an interesting difference on short-term rental market in Lisbon compared to other markets.

Noteworthy results were also obtained concerning the past\(^\text{12}\) uses of the apartments. In fact, more than a half of the apartments were unoccupied (57%) and 11% were described as ‘in ruins’ which shows the importance of the tourism induced rehabilitation in Lisbon. However, another relevant issue has emerged: about 26% of short-term rentals were installed in previous homes. This fact evidences one significant negative impact of this kind of accommodation – the decrease of home stock, making the rent costs higher and consequently loss of population\(^\text{13}\). Although this is not the focus of this research it is an important aspect that deserves to be accompanied by researchers and mainly by the municipality of Lisbon (CML).

One of the main questions asked in the survey was whether there had been (or not) a rehabilitation intervention. Out of the 193 respondents, about 86% had had an intervention in order to operate as short-term rental. Therefore, one can conclude that this kind of touristic accommodation really induces urban rehabilitation. For this reason, there are grounds to believe that this is a major factor in the increase of rehabilitation interventions in Lisbon in recent years.


ii. Conservation state

As seen before, in 2011, Santa Maria Maior parish had a highly degraded building stock\(^\text{14}\). This

\(^\text{10}\) According to Censos 2011 (INE), the average number of apartments per building in Santa Maria Maior parish is 4.6 apartments/building.

\(^\text{11}\) As told, Airbnb states 81% accommodation are homes were the owner live (Airbnb, n.d.).

\(^\text{12}\) Before being used as short-term rental.

\(^\text{13}\) Berlin was dealing with this problem, which led to the prohibition (2016) of short-term rentals as touristic apartments.

\(^\text{14}\) Censos 2011, (INE).
fact certainly influenced the number of rehabilitation interventions before operating as short-term rental. The findings emphasize the bad conditions of buildings, as shown in picture 2.

In fact, about 50% of the apartments and 70% of the buildings show conservation states described as ‘Bad’ or ‘Very Bad’, which justifies the necessity to intervene in those spaces. It is also relevant that only 6.4% of the apartments have a conservation state considered ‘Satisfactory’. The graphics show another relevant aspect: generally, buildings have better conservation state descriptions than apartments. This is probably related to the fact that apartments are subject to more use causing more wear, but also a higher standard of conservation, since it conflicts directly with the user’s life. Analyzing the differences between the Santa Maria Maior neighborhoods, it is obvious that all have bad conservation state descriptions. Namely Alfama, which has about 90% of apartments described as ‘Bad’ or ‘Very Bad’. This number is surprisingly low in Baixa.

### iii. Rehabilitation intervention

The third part of the survey was aimed at characterizing the rehabilitation interventions itself. Thus, four fundamental characteristics were analyzed: extension, intensity, duration and technical support.

**Extension**

The great percentage of interventions occurred in whole buildings (71.7%) and only 28.3% were confined to apartments. As expected, Baixa is the neighborhood with biggest percentage of interventions in whole building (78%), due to its urban and architectonic characteristics. Baixa’s urban fabric and the *pombaline* typology favor large interventions, associated with huge financing. It is an area with great accessibility and the buildings have generous and flexible areas. This is the kind of intervention that occurred in *Baixa House*. Alfama has a surprising percentage of interventions occurring in whole buildings (74%). Given to its urban and architectonic characteristics, one would expect to find small interventions, confined to the apartments. However, the survey shows exactly the opposite. This fact is probably related with the fact that, in Alfama, the buildings are much smaller when compared to Baixa. Then, it is easier to operate an intervention in the whole building, since this can correspond only to two or three apartments.
**Intensity**

It was used a five level system in order to analyze the intensity of intervention\(^\text{15}\). As one can see in picture 3, there is a preponderance of ‘Level 5’ interventions (about 45%) in the interventions confined to the apartment, having the rest of the levels similar values. The ‘Level 1’ has the lowest percentage (9,0%).

![Intensity Bar Chart](image)

Picture 3 | Intensity of intervention on the apartment and whole building (%);
Source: own collection;

The results for whole building also show a majority of ‘Level 5’ interventions (47%), and the existence of a greater gap in relation to the other levels. *Baixa House* provides an excellent example for this kind of intervention, not only by its respectful way of dealing with the built patrimony – a XVIII century *pombaline* building – but also as it prepares the building for a new function in a reversible way. The *Chiado Apartment* is also very interesting example of a ‘Level 5’ intervention confined to the apartment. It is an intervention that creates value by transforming an uninhabitable apartment in a tourist upscale product, safeguarding the value of preexisting elements. ‘Level 4’ and ‘Level 5’ interventions are very profound and, if done in an integrated and conscientious way, can prepare the buildings for the future. However, if not, they are also more dangerous, since they can produce irreversible damage on the buildings. The *lighter* interventions have also a great relevance in urban rehabilitation process, mainly for maintenance of the built patrimony, since it grants the needed improvements for use of the apartments and buildings. *Alfama Watchtower I/II* and *Castle Charm* (‘Level 1’), *as well Alfama Terrace* (‘Level 4’), show exactly that.

**Duration**

Another relevant marker to characterize and analyze rehabilitation interventions for short-term

---

\(^{15}\) LEVEL 1: Function change of some divisions, keeping all the interior compartments. Slight changes in the finishes (floors, ceilings and walls).
LEVEL 2: Function change of some divisions, keeping all the interior compartments. Slight changes in infrastructure (water, sewer, electricity and gas) and coatings (floors, ceilings and walls).
LEVEL 3: Function change of the divisions, forcing to intervene in the compartments. Mid-level changes in infrastructure (water, sewer, electricity and gas) and coatings (floors, ceilings and walls).
LEVEL 4: Deep function change of the divisions, with intervention in the compartments. Deep level changes in infrastructure (water, sewer, electricity and gas) and coatings (floors, ceilings and walls). Improvement of the thermal conditions of the exterior walls.
LEVEL 5: Deep function change of the division, compartments, infrastructure (water, sewer, electricity and gas) and coatings (floors, ceilings and walls). Structural changes/enhancements and improvement of the thermal conditions of the exterior walls.
rentals is the duration. The findings reveal a dominance of interventions between 1 and 6 months (70 interventions). However it can also be seen that a large proportion of interventions higher than one year (63 interventions).

Technical support

This is a significant aspect of the intervention, since it is possible to understand the professionalism as the rehabilitations are made. The survey included three project dimensions: architecture, civil engineering and construction. There is a very low percentage of interventions (5.4%) without any technical support, which is not a worrisome value, since it corresponds mainly to ‘Level 1’ interventions. It is to be noted that 94.6% of the interventions had some kind of technical support.

However, there are some results that may be of concern due to its unsuitability to the reality of the operations described before. In fact, only 62.9% call upon construction firms, which is a low value when compared to the percentage of interventions that would need this kind of support to assure quality. Moreover, only 31.7% of the interventions had full technical support. This amount is too low for the given percentage of ‘Level 4’ and ‘Level 5’ interventions - about 60% both in the apartment and in the whole building - which need a qualified support on the three project dimensions in order to grant a high quality standard.

III. Conclusions

This study sought to investigate the impact of short-term rentals in the urban rehabilitation of the historic center of Lisbon. It is possible to conclude that touristic apartments have a positive and significant contribute for the urban rehabilitation, once the great majority of accommodations studied is intervened (87%). Besides, the interventions made tend to be very intense (‘Level 5’) either in the apartment or in the whole building. This kind of interventions include profound changes in the interior organization, infrastructures, roof and, in most cases, structural reinforcement. Thus, short-term rentals contribute to the improvement of the poor conditions of buildings in the historic center of Lisbon.

Furthermore, the contribute of short-term rentals for urban rehabilitation happens also in an indirect way. The growth of touristic apartments phenomena boosted the real estate market in Lisbon, influencing a significant number of rehabilitation interventions in the buildings of the historical center. Although the real estate market dynamic – caused by short-term rentals - contributed to urban rehabilitation, it influences also the reduction of available houses, which cause the raise of prices and loss of population. The survey shows that a third of the short-term rentals were previously residential units.

Another important conclusion is that the rehabilitation interventions that take place in the

---

16 There are, though, some cases where ‘Level 5’ interventions have no technical support. This cases are alarming, due to the lack of professionalism shown in the rehabilitation. It is also possible that it corresponds to mistakes or misunderstandings of the question.
historic center of Lisbon are very diverse. Contrary to what was thought at the beginning, it is not possible to identify one or several intervention types according to the location. The intervention does not depend only on the location or constructive typology but on a wider system of factors, such as the conservation state, the investment size, the aimed touristic product, among others. Nevertheless, one can see some general tendencies of the interventions in Santa Maria Maior.

First, two thirds of the interventions occurred in the entire building, which shows a clear preponderance of “total interventions” in the study area; and second, about a half of the interventions were very intense (“Level 5”). Thus, the most common intervention happening in Santa Maria Maior is a very intense intervention in the entire building.

Finally, the survey shows that only 31.7% of the interventions had a full technical support, namely for the more intense interventions, which specially need this support in order to assure the quality of the intervention.

Bibliography


