

The Political Economy of Housing Investment in the Short-Term Rental Market: Insights from Urban Portugal

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Abstract: Short-term rentals (STRs) emerged as holiday accommodations, disrupting the hospitality industry in the decade before COVID-19. Mainstream explanations for their growth revolved around digital tourism platforms like Airbnb as market disruptors and the sharing economy rationale. At the same time, critical scholars explored the capitalisation of greater rent gaps in urban central locations. However, these explanations are insufficient to explain the growth of STRs. We supplement them by building bridges between the urban political economy and the geographies of financialisation through the cases of Lisbon and Porto before the pandemic. The paper focuses on tourism-induced housing investment, taking a closer look at the profile of investors in association with STR property managers in the context of the late-entrepreneurial urban regime. We conclude that tourism development has allowed opportunities for housing financialisation through STR professionalisation, enhancing the allocation of interest-bearing capital in tourism-oriented real estate.

Resumen: Los alquileres de corta duración (STRs en sus siglas en inglés) surgieron como alojamientos vacacionales, revolucionando la industria turística en la década anterior al Covid-19. Las principales explicaciones sobre su irrupción apuntan a que las plataformas de turismo digital, como Airbnb, alteraron el mercado a través de la lógica de la economía colaborativa, mientras que voces críticas también han explorado la capitalización de brechas de renta más amplias en áreas urbanas centrales. Sin embargo, estas explicaciones son insuficientes para comprender el rápido crecimiento de esta tipología de alojamiento. Aquí se complementan tales ideas mediante la articulación entre la economía política urbana y las geografías de la financiarización a través de los casos de Lisboa y Oporto antes de la pandemia. El artículo se centra en la inversión inmobiliaria inducida por el turismo, examinando el perfil de los inversores privados en conjunción con las empresas de gestión de propiedades para alquiler turístico en el contexto del urbanismo empresarial tardío. Así, concluimos que el desarrollo turístico reciente ha ampliado el horizonte de financiarización de la vivienda gracias a la profesionalización del alquiler vacacional, maximizando los beneficios del capital invertido en bienes inmobiliarios para uso turístico.

Keywords: short-term rentals (STRs), financialisation, property managers, housing investment, Southern Europe

Palabras clave: alquiler turístico, financiarización, gestores de propiedades, inversión inmobiliaria, Sur de Europa

Introduction

Short-term rentals (STRs) have revolutionised the hospitality business. Digital tourism platforms such as Airbnb obtained record profits before the COVID-19 pandemic. Forbes estimated that Airbnb reached \$4.8 billion in revenue in 2019 by connecting “travelers seeking authentic experiences *with hosts offering unique, inspiring spaces around the world*” (Forbes 2022, emphasis added). The description aligns with the sharing economy narrative, in which STR platforms link up visitors and hosts who want to make extra money and who have a spare room or entire property. STR success has been described as an innovative market disruption where digital platforms took the initiative to transform the accommodation industry in the context of increasing leisure and tourism economies (Guttentag 2015). Critical urban scholars have also pointed to the ability of STR platforms to open rent gaps because of their higher profitability, encouraging landlords to replace tenants with tourists (Wachsmuth and Weisler 2018). The profile of these landlords has also been explored to some extent, dubbing them as homeowners belonging to a rentier middle class that needs extra income or that has turned to hosting as their permanent job (Semi and Tonetta 2021; Yrigoy et al. 2022). However, STRs’ rapid growth has not been unintentional; as Clancy (2020) puts it, it has not happened “in a vacuum”. Research about STRs and urban tourism has glossed over essential players in the business and how they interlock with the financialised economic landscape. Through a political economy analysis of the urban, we fill this gap by unpacking the ways in which the expansion of STRs can only be understood by considering how different actors and processes relate to each other. We refer to housing financialisation and the practices of investors, state action and the intermediation of STRs property managers.

Following Aalbers (2016), we understand the political economy as an approach that explores an economic sector within its social and political context, driven by the power relations of different actors and institutions. Essentially, this perspective differs from the assumption that the economy is organised according to its own rules, mainly supply and demand dynamics that work independently from the interactions of the public and private market players that shape it. Thus, using political-economic lenses to analyse the city means embracing a holistic view by looking into structural and specific urban processes and their dialectical interactions at different scales. In this sense, we align with Peck’s (2017:25) work on conjunctural-urban analysis, that is, an approach that emphasises contextual specificities by seeking “explicitly to problematise the political-economic positionality of cities, both in (inter)scalar terms and on moving landscapes of regulatory transformation”. This approach helps explain the STRs expansion and understanding of why and how the STR supply side entails the active involvement of investors of different sizes and scales in acquiring housing for tourism purposes. We argue that explanations about

STRs' exponential growth rely on how these are embedded in a financialised environment and that state and city governments created an ad hoc framework to facilitate that expansion. Therefore, we analyse urban tourism connected with residential real estate as a new frontier for capital accumulation (Bianchi 2018; Fletcher et al. 2019), which has triggered processes of socio-spatial transformation such as touristification (Jover and Díaz-Parra 2020). We posit that STRs have been fundamental in expanding that frontier, as they are the nexus between the growth of tourism-led economies and the emergence of a financialised housing sector (Fields and Rogers 2019), singularly after the 2008 economic crash.

Lisbon and Porto are the two largest cities in Portugal. A wave of housing investment for STR purposes occurred before the pandemic following the steady growth of visitors. Between 2012 and 2019, the number of guests registered in accommodation establishments across Portugal doubled from 13.8 million to 27.2 million (Turismo de Portugal 2019). Both cities flourished as city-break destinations, and their capacity to attract and host tourists increased. In Lisbon and Porto, STR property managers offer approximately 45% of the STR supply (Cocola-Gant et al. 2021), challenging the claims of digital platforms that they are a peer-to-peer economy, an argument that Airbnb has invested a lot of effort and money into to preserve (Yates 2021). Before COVID-19, Lisbon had 11,208 active Airbnb listings, while Porto reached 6,168.¹ Data refers only to entire homes available more than 60 days per year, leaving out shared homes or rooms and single homes offered for less than two months to represent those properties exclusively used for tourism year-round. Given the disruption of global mobilities in 2020 and how it affected tourism, our work deals with the period before COVID-19. However, our reflections and results are valid and timely, as borders reopening brings back pre-pandemic unaltered economic dynamics.

The paper is divided as follows. First, we discuss the urban political economy approach linking tourism-led housing-based accumulation strategies with regulatory frameworks designed for that endeavour. Second, we introduce our methods: we apply qualitative techniques to explore the ways in which the STR supply unfolded. We use quantitative data on tourism arrivals and housing purchases to frame the cases, and interviews and policy analyses concerning urban rehabilitation, migration, housing leasing (both long- and short-term) and tourism strategies to describe how the market was lifted in Lisbon and Porto. We focus on the role of STR property managers in attracting investors and their cooperation with public institutions, who these investors are, where they come from and why they arrived in Portugal. We conclude with a discussion that surpasses the view of digital tourism platforms as market disruptors and points to a multilayered perspective in understanding the nexus between STRs and urban tourism development.

The Political Economy of Urban and Housing Financialisation through Tourism-Induced STR Professionalisation

In the late 1960s, Lefebvre (2003) envisioned that urbanisation would surpass industrialisation as the primary mode of production in capitalist economies. Time

proved him correct. Cities had become a “growth machine” by the 1980s (Logan and Molotch 1987) when capital switched from the first to the second circuit of capital (Harvey 1982), that is, the reallocation of investment away from commodity production and towards the built environment in the economic restructuring of the West. The process worked by opening up new markets, raising land and housing values and fostering state and household indebtedness in line with the progressive financialisation of the economy. Krippner (2005:75) understands financialisation as a “pattern of accumulation in which profits accrue primarily through financial channels”, understanding these as “activities relating to the provision (or transfer) of liquid capital in expectation of future interests, dividends, or capital gains”. The resulting economic structure relied heavily on interest-bearing capital and ideological warfare when neoliberalism became dominant. Despite tensions between those on top (Jessop 1990), the late capitalist ideological project has solidified the upper classes’ political and economic power through market rule and state regulation in the globalised world (Peck 2010). In cities, neoliberalism translated into urban entrepreneurialism, that is, municipal governments imitating pro-market and business-based practices in managing urban matters (Brenner and Theodore 2002; Harvey 1989), which have reached exhaustion despite being dominant (Peck 2017).

STR digital platforms mushroomed in the intersection between this urban late entrepreneurialism and the increasingly financialised housing market. Understanding this intersection means untangling the connections between the housing market as an accumulation regime and the ways in which the state has been involved in the process. Two ideas are essential here. First, land and housing have become commodities (Madden and Marcuse 2016). This can be explained by drawing on Harvey’s (1982:347) analyses of land as monopoly power and a financial asset: “if land is freely traded, then it becomes a commodity of a rather special sort ... which is bought and sold according to the rent it yields”. The specialness of land and housing explains that, insofar as trade declines or commodity production ceases (as has occurred in the West since the late 1970s), capital gets fixed in the built environment in search of the realisation of surplus value. Aalbers (2016) has called on this explanation to depict how a “wall of money” has been deposited in housing markets. In that vein, the neoliberal state has played a key role in enforcing laws that privilege the right to property (ensuring the appropriation of those surpluses) over the right to housing, deregulating financial markets or privatising land (Christophers 2018; Rolnik 2019).

Second, the commodification of housing has acquired a new dimension owing to tourism development, which also connects to Harvey’s explanation because the monopolistic nature of land conditions the geographies of accumulation. The surplus value captured in housing markets hinges on its location: it is not the same building in central areas as in peripheral neighbourhoods. In that scenario, STR-oriented tourism development widens spatial inequalities. Even more so in world regions such as Southern Europe, which has become the top worldwide destination in the last decade (Cañada and Murray 2021). In Southern Europe, national and local governments have implemented policies to enhance tourism development alongside housing and other policy reforms to facilitate private

capital flowing into real estate's prime areas. The state's role is crucial to understanding investment in the STR market, facilitating a process in which the commodification of both housing and the tourist city overlap. We refer to a process of tourism-induced housing investment as an accumulation strategy.

The recent tourism expansion should be understood in the post-crash context. As Fletcher (2011) noted, tourism has been one of the major fixes to the problems that emerged after the 2008 financial crisis, which entailed further liberalisation of the sector. In addition, state actions have advanced the financialisation of urban governance (Peck and Whiteside 2016; Weber 2002). Harvey (1989) first theorised the entrepreneurial urban institutions, which have had to adjust to the post-crisis context. Nation-states have disciplined local governments by underfunding cities, leaving them with fewer choices to balance their budgets. Thus, cities have increasingly counted on credit markets and expanded their tax base to undertake public services. This late-entrepreneurial urbanism results from a "regulatory restructuring" (Peck 2017), conditioned by austerity, incredibly intense in peripheral EU countries (Davies and Blanco 2017). Against this background, Southern European states and cities implemented policies to advance tourism-led housing investment as an accumulation strategy (Anselmi et al. 2021). For instance, tourism-driven (re)zonings have been passed, allowing the change in land uses from residential to commercial, as well as legislation related to infrastructure investment (airports, ports, train stations) or public-private partnerships to revitalise neighbourhoods because of their double effect as sources of income. These measures have streamlined private capital in the STR market, which is also reflected in public budgets through planning permits and construction taxes. Simultaneously, these have increased land and housing values, enlarging municipal revenue bases. In the "real estate state" (Stein 2019), regulating becomes a synonym for facilitating capital accumulation through housing. In countries where tourism emerged as the immediate and foremost solution to the crisis, the state created the perfect environment for STR-based housing financialisation. Paraphrasing Stein, this is the "real estate-tourism state".

Regulatory restructuring driving housing financialisation has also come about at scales beyond the local and national states. Following central banks' policies, commercial banks kept interest rates low, encouraging working-class people to go into debt in a context of increasing unemployment and wage stagnation. Meanwhile wealthy people would not yield returns by keeping their money in banks (Robbins 2018). In this context, surplus capital has been propelled toward housing markets, encouraging individual investors into asset-based welfare (Fields, 2018). As Fernández and Aalbers (2016) point out, housing financialisation means that real estate has turned into a safe deposit box. STRs play a crucial role in this process. For instance, Montezuma and McGarrigle (2019) and Kadi et al. (2020) include STRs as one of the reasons why people acquire a second residential property. STRs give second-home buyers the ability to earn returns on their properties while not in use. Additionally, for investors seeking to store their capital in residential real estate, STRs allow them to obtain capital gains at the optimal time, as they can sell the property free of tenants whenever they want (Cocola-Gant and Gago 2021).

Although digital tourism platforms such as Airbnb have kept the sharing economy rhetoric to legitimise their business (Yates 2021), evidence indicates that the STR market expansion is thanks to professional property managers or corporate hosts (Cocola-Gant et al. 2021; Deboosere et al. 2019). They are a new layer of intermediation operating through those platforms that organise vertically in different departments (pricing and revenues, bookings, reviews, maintenance, cleaning) to take advantage of economies of scale. On the one hand, corporate hosts offer guests a similar product to hotels. On the other hand, they deliver high-occupancy rates and thus revenues to property owners. Their goal is to optimise profits derived from real estate assets. Thus, they drive investment into the market by working actively with local and foreign investors, who can range from middle-class families to global corporate landlords (Beswick et al. 2016). Even though digital platforms are crucial infrastructures in connecting supply and demand in an unprecedented way, their growth is insufficient to explain the STR market boom. Therefore, we provide a framework encompassing the state's role in fostering tourism development in the context of asset-based welfare, investors' strategies and corporate hosts' intermediation. Considering how these actors and institutions relate to each other, we can better understand the rise of this market in the two major Portuguese cities.

Methodology

This paper draws on qualitative analyses to delve into the political economy of STR investment in urban Portugal in two complementary areas: regulation and accumulation. To study the regulation of the tourism-induced housing market, we examined state and local reforms from 1990 to 2019, paying particular attention to the country's 2011 bailout and its consequences on housing, migration, planning and tourism. We conducted content analysis on state acts and how they affected local governance and translated them into policies through norms and city strategies. These analyses are coupled with other sources that helped frame the changing context: real estate professional reports from the top companies operating in Lisbon and Porto, focusing on the nexus between tourism and housing. Statistics from the Portuguese National Statistics Office (INE) and the OECD further help in understanding the conditions by which investment in the housing market is linked to tourism, pointing to how both industries have become a key accumulation strategy.

We connect the resulting framework with the rise of corporate hosts hand in hand with the growth of housing investors. In the latter case, we identify two types, small- and large-scale investors, differentiated by size and spatial scale of operations, inspired by criteria from Özogul and Tasan-Kok (2020). In the former case, we identified 42 in Lisbon and 21 in Porto in 2019, the first corporate host having appeared in Portugal in 2012. The core of this analysis is sustained by 32 semi-structured interviews carried out in late 2019 (Table 1). We interviewed three groups of respondents: corporate hosts, real estate companies and other parties. We questioned them about their involvement in lifting the STR market and their ideas about the state reforms at different scales. Since housing investors

Table 1: Participants and their brief profiles

Code	Sector	Company	City
I1	Corporate host	Feels Like Home	Lisbon
I2	Corporate host	Hostmaker	Lisbon
I3	Corporate host	Lisbon Concierge	Lisbon
I4	Corporate host	Rent Experience	Lisbon
I5	Corporate host	Houst	Lisbon
I6	Corporate host	Lisbonne Collection	Lisbon
I7	Corporate host	Lovely Stay	Lisbon
I8	Corporate host	Sweet Inn	Lisbon
I9	Corporate host	Casas d'Almedina	Lisbon
I10	Corporate host	BeGuest	Lisbon
I11	Corporate host	Feels Like Home	Porto
I12	Corporate host	Porto Concierge	Porto
I13	Corporate host	Lovely Stay	Porto
I14	Corporate host	HomeMe	Porto
I15	Corporate host	Liiiving	Porto
I16	Corporate host	Guest Ready	Porto
I17	Corporate host	City Hosts	Porto
I18	Corporate host	Homing	Porto
I19	Real Estate	Century21	Lisbon
I20	Real Estate	CBRE	Lisbon
I21	Real Estate	CBRE	Lisbon
I22	Real Estate	JLL	Lisbon
I23	Real Estate	INS	Lisbon
I24	Real Estate	Cushman & Wakefield	Lisbon
I25	Real Estate	Silviurbana	Lisbon
I26	Investor	OpylonKrea	Lisbon
I27	Investor	/	Lisbon
I28	Association	Investment Funds	Lisbon
I29	Association	Real Estate Investors	Lisbon
I30	Manager	Hotel Britannia	Lisbon
I31	Consultant	ImoEconometrics	Lisbon
I32	Journalist	Público	Porto

were challenging to reach, as they do not usually want their identities and businesses to be revealed, we also asked about them: who they are, why they got involved in the business, how they function and which role they played in the state reforms. First, we talked to 18 corporate hosts in Lisbon and Porto, some of whom operate in both cities. Among them, we interviewed business owners, executives and managing directors from branches of three companies in both cities: Feels Like Home, Lovely Stay and Concierge. Some property managers that we interviewed are transnational (Hostmaker, Houst and Sweet Inn) and others are national (Feels Like Home, Liiiving and Concierge), while five (Lisbon Collection, Casas d'Almedina, Be Guest, City Hosts and Home Me) only operate on a local basis. A similar divide can be made in the case of real estate companies, our second focus. We interviewed executives in large international firms such as CBRE, JLL and Cushman & Wakefield, as well as realtors in nationally run companies such as INS, Silviurbana and Century21. Other parties were our final respondents. They include two housing investors, the only ones that agreed to participate in

the research: an entrepreneur who started a company—directly connected to a corporate host, *Lovely Stay*—and another who bought an apartment for STR purposes. We also talked to two real estate investment associations, a hotel manager, a consultant and a journalist covering urban and tourism news. The interviews lasted for about an hour and were anonymous, so names and employment positions are not disclosed, although they consented to reveal their companies' names. We approached participants by email after an extensive online search and in person by participating in real estate or professional tourism meetings. We then coded their answers into different categories: STR professionalisation management, housing investment, financialisation strategies, state reforms or Airbnb's role.

Regulating as Facilitating: Reforms to Increase Tourism-Induced Housing Investment in Lisbon and Porto

Portugal's neoliberal state pathway is not new. Attracting capital and tourism as a way forward to encourage redevelopment intensified because of the 2008 financial crisis, but it had precedents. In contrast to Lisbon and Porto's decline during the 1980s, the 1990s marked the start of an urban entrepreneurial planning approach whose main goals were promoting both cities as tourist destinations and attracting private capital to rehabilitate the derelict housing stock (Barata-Salgueiro et al. 2017), including the organisation of international mega-events (Swyngedouw et al. 2002). That was the context when the recession hit Portugal in the late 2000s, leading to unemployment rising to 18% and the government debt reaching 150% of the country's GDP by 2014.² In 2011, the Troika (the European Central Bank, the European Commission and the International Monetary Fund) stepped in: Portugal was bailed out, and in exchange, the country adopted the three-year Economic Adjustment Programme. Austerity was imposed at all government levels, narrowing the public institutions' leeway and deepening neoliberal, late-entrepreneurial urban reforms. In such a context, four interrelated reforms spurred investment in the housing market for tourism purposes.

The first reform, a widespread strategic policy to overcome the 2008 financial crisis (Fletcher 2011), such as in Portugal's case, dealt with tourism development. Policies focused on subsidising low-cost airline companies, marketing campaigns targeting different profiles of transnational populations and allowing tourist-oriented investment with no restrictions (Malet-Calvo 2018; Montezuma and McGarrigle 2019). The industry significantly grew to the extent that, for instance, the number of airport arrivals to Lisbon doubled between 2013 and 2019 (Turismo de Portugal 2019). Most interviewees pointed out that tourism development was crucial because of its ability to revamp the country's image abroad and that this was central to attracting capital from overseas.

Second, Portugal's new attractiveness is also illustrated by the business-friendly, financially-led environment created by the government through a special taxation regime for foreign investors. Portugal enforced two programmes to induce wealthy migrants' investment in real estate: the Golden Visa and the Non-

Habitual Residence programme. The Golden Visa, established in 2012, rules that any non-EU citizen investing more than €500,000 in purchasing a property, creating at least 10 jobs or transferring this amount of capital to the country will be granted a provisional Portuguese passport—also granted to their partner and children—and the possibility of becoming a Portuguese citizen after five years. The amount can be €350,000 if the investment is for housing rehabilitation. From 2012 to 2020, 9,514 real-estate-based Golden Visa permits were issued (SEF 2022). The Non-Habitual Resident programme was established in 2009 and was revised in 2012. The programme focuses on a 10-year tax haven for EU citizens—especially retirees and highly-qualified professionals—who enjoy tax exemptions to almost all foreign sources of income and a 20% flat rate for income earned in Portugal. In exchange, individuals must establish their residency in the country, but there is no supervision of mandatory periods of stay. Although it is not required to own a property, most people have chosen to buy second homes, renting them in the STR market when they are not in Portugal (Montezuma and McGarrigle 2019). Consequently, foreign homebuyers and how much they spend have increased, with the Chinese standing out in 2013 and 2014 owing to the Golden Visa. From 2016 onwards, the French and British were the most active, thanks to the Non-Habitual Resident programme (Table 2). There is a consensus among interviewees that these two programmes have fostered buy-to-rent housing investment in prime locations in Lisbon and Porto because beneficiaries do not have to reside in Portugal.

The third set of reforms was in housing rehabilitation to encourage market-led redevelopment. In 2004 the government created the Urban Rehabilitation Societies, a public–private partnership to raise financial capital. As austerity measures rolled out in 2011, the public abandoned its role in these partnerships, effectively privatising urban rehabilitation, which significantly impacted the shrinking of affordable housing (Branco and Alves 2020). In line with this, the New Legal Regime for Urban Rehabilitation was approved in 2009, giving power to municipalities to determine “urban rehabilitation areas”, where delimitation is associated with tax incentives. Within these, investors benefit from a reduction in value added tax from 21% to 5%, an exemption from the municipal property tax for three years, and an exemption of the corporate income tax, which benefits real estate investment funds. Combined, these measures have helped investment to flow into housing rehabilitation. According to industry reports, housing continues to be one of the favourite areas to allocate capital in Portugal (CBRE 2019; Cushman & Wakefield 2019).

The last tier of public policy reforms concerns long- and short-term leasing. In the former case, the government passed a new Urban Lease Act in 2012 that terminated rent freeze agreements dating decades back, which increased foreclosures and evictions. Under the new norm, landlords were able to update contracts, and facilitations were given to them to speed up eviction processes (Mendes 2017). Between 2013 and 2018, there were 4,300 evictions because of unpaid rents in Lisbon and Porto (Sic Notícias 2018). This climate made available an outstanding housing stock in need of rehabilitation that met the increasing demand for tourism-oriented housing investment. I21 commented that “without

Table 2: Number, mean value and percentage of properties purchased by foreigners in Portugal and their country of residency (2012–2019)
(source: Portuguese National Statistics Office [INE])

	2012	2013	2014	2015	2016	2017	2018	2019
Properties	6,902	7,926	10,814	13,104	14,592	17,388	19,912	19,520
Mean value (€)	115,689	143,519	176,385	166,091	155,941	160,407	171,178	176,429
Percentage of buyers (%)	8.4	10.7	15.7	14.4	12.5	11.5	13.0	13.3
1st nat. (%)	UK (23.7)	China (18.9)	China (29.4)	UK (20.6)	France (19.6)	France (19.6)	France (19.7)	France (18.1)
2nd nat. (%)	France (14.9)	UK (17.9)	France (16.6)	France (17.9)	UK (19.3)	UK (16.2)	UK (16.9)	UK (17.3)
3rd nat. (%)	Germany (7.1)	France (14.2)	UK (15.3)	China (14.4)	China (6.3)	Brazil (6.9)	Brazil (8.3)	Brazil (7.7)

the alteration of the Urban Leases Act, it would have been very difficult for tourism to have impacted [housing] renovation as it did”.

Regarding STRs, the state government ruled in favour of easing the market in 2014. A mere communication registration system was introduced, meaning landlords only needed to fill in an online form to obtain a STR licence. In addition, up to 2018, STRs had a more favourable fiscal framework than long-term rentals. I19 recognised that “[STRs] had barely any tax burden compared to long-term rentals. It was nearly all earnings”. These incentives given by the state meant that 20,000 STR licences were approved in Lisbon and 8,500 in Porto between 2014 and 2019 (Turismo de Portugal 2022). The geography of these STRs is overwhelmingly concentrated in their city centres (Cocola-Gant et al. 2021). For instance, Lisbon’s central district of Santa Maria Maior has STRs in 74% of its apartment buildings, according to the 2021 census.

As shown in Table 3, Lisbon and Porto followed suit in all reforms with different behaviour, depending on the level of involvement needed in every case. For instance, both city councils considered almost the entire municipality “urban rehabilitation areas”, following the new norm. Their active implication in that case contrasted with their passivity regarding soaring prices in central areas because of the state abandoning its role in the urban rehabilitation societies and their unwillingness to police the rapid increase in STRs in those same central areas. Neoliberal state reforms combined with late-entrepreneurial urban policies to create the ideal conditions for tourism-led housing investment. Tenants’ rights were reduced so they could be easily displaced, while tax incentives were given to developers and foreign investors. In that context, the housing stock degradation in central areas of Lisbon and Porto allowed for a wave of STR-induced rehabilitation. In the following sections, we link this regulatory framework with the professional management of STRs and investors’ strategies.

Expanding the Accumulation Frontier through Urban Tourism: STR Investment and Professionalisation

The Role of Corporate Hosts in Attracting Investment

If state reforms are essential to explain the boom of STR investment, a cornerstone in the process is corporate hosts. The professionalisation of the market and investors’ interest in the sector go hand in hand. I12, from the largest STR management agency in Portugal, explained how they contributed to lifting the market from the beginning. She explained that in 2012 “we got to our first clients through ads for long-term leases in OLX”, the most popular second-hand buy-and-sell app in Portugal that contains a section for landlords to list their properties to let. “We then explained the advantages of STRs and how they [landlords] could make larger profits than long-term rentals”. In other words, these professional property managers stimulated the conversion of long-term to short-term rentals by contacting local landlords, arguing that their professional management would yield higher revenues.

As corporate hosts can manage STRs at scale and provide higher benefits to landlords and investors, they secured investment rounds and consolidated the

Table 3: Summary of key tourism, migration and housing reforms

	National scale	Local scale
Tourism	Subsidising airlines and increasing airport capacity (2009) Intensification of marketing campaigns in Portugal and abroad (2009)	Prioritising planning permission for new tourism infrastructures, partially through a new Master Plan (Lisbon, 2012) New cruise terminal in Lisbon (2017)
Migration	Non-Habitual Resident programme (2009) Golden Visa programme (2012)	Lisbon's Economy and Innovation Department and Porto's Economy Department launching marketing campaigns to attract visitors, transnational young professionals and international students. For instance, Lisbon Erasmus City (2013), Porto for Talent (2017)
Housing rehabilitation	Urban rehabilitation societies: privatisation of housing rehabilitation (2004) New Legal Regime for Urban Rehabilitation (2009)	Creating urban rehabilitation areas (almost the entire cities) with tax exemptions for redevelopment (2012) In both cities, the alienation of public buildings for the construction of tourism accommodation since 2011
Urban leasing	Long-term: ending rent controls (2012) Short-term: easy registration system and tax incentives (2014)	Passed caps for new STRs in selected areas, but without retroactive effect, that is, without tackling the already significant STR expansion (2019 in Lisbon; 2020 in Porto)

STR industry. In this regard, they are intermediaries that connect distant investors with local property markets. Some corporate hosts created services that are tailor-made to manage buy-to-leave investment operations. We interviewed two of them: Lovely Stay and Home Me. The latter, I14, commented, "it all started with a company called Be Porto, which buys buildings to renovate and sell them ... we were selling mainly to foreigners who would tell us 'And now what? I won't live here'. So, we decided to start a STR management agency". The case shows how a real estate company saw an opportunity to operate STRs by meeting their clients' demands. Lovely Stay, a branch of the real estate firm Optylon Krea, is a similar case. I7 commented: "Optylon buys properties in the main Portuguese destinations to renovate, and later sells them to foreign investors, who leave their new properties to us [to manage]". They have 11 buildings in Lisbon alone. This company, like many others, offers customised services to Golden Visa investors. I7 pointed out that all its clients are foreigners, mainly from Brazil, France, Turkey and the United States.

In other cases, corporate hosts have made agreements with real estate companies, which function in a mutually beneficial way. Feels Like Home, which partnered with the global real estate company JLL, is a good example. When questioned how foreign investors reached them, I1 explained that investors who purchase a property with JLL and want to get into the STR business would be

redirected to Feels Like Home. We identified several partnerships like this one in Portugal, stimulated by the growth of foreign investors who do not reside in the country. In terms of size and scale of operation, corporate hosts help small-scale investors behave similarly to large-scale investors because they have created a structure that facilitates individuals depositing their capital in distant housing markets. Simultaneously, large-scale investors are growing in the market.

STR Investors and Their Practices: A Framework

This section explores the landscape of STR investors by making a set of distinctions that analyse the factors shaping the development and proliferation of STRs in Lisbon and Porto. Tourism-induced housing investors are the individuals and companies that recognise housing as assets, acquire them and hire corporate hosts to manage the properties. They have a different degree of expertise (amount of money allocated, risk assessment, and participation of other intermediaries, such as real estate firms) that differentiates them from non-professional landlords who also participate in the STR market (e.g. Semi and Tonetta 2021). Our knowledge of these investors comes partly from property managers. When questioned about these investors' profiles, corporate hosts estimated that approximately 50% of their portfolios were owned by investors who bought the assets to rent them in the STR market. On average, the other 50% were landlords who owned a property before the STR boom, although I11 said that 70% were investors and 30% were "other cases" in his experience. We distinguish between small- and large-scale investors. Small-scale investors are those individuals or families with enough capital to purchase a property. In contrast, large-scale investors are players that purchase several properties, from more than one to dozens, and whose strategy and business sometimes are not restrained to a single country or sector.

Type and Strategies of Small-Scale Investors

Small-scale investors vary depending on the size of the investment and nationality. With a fixed investment in a single property in Lisbon or Porto, the divide is between Portuguese and foreign investors. There is also a subdivision among the Portuguese between those living in Portugal and abroad. First, respondents remarked how Portuguese families with extra capital buy apartments in central locations, searching for the profitability that STRs provide. Second, some interviewees highlighted that they work with Portuguese investors abroad, who usually live in other EU states. Besides profitability, the flexibility that STRs offer is vital: they want to have a place to stay when visiting their home country. The rest of the time, they obtain returns on the investment through the STR market by outsourcing the management to corporate hosts.

Regarding foreign investors, our interviewees noticed a significant increase in non-Portuguese people buying apartments in both cities. We were able to identify three types of small-scale foreign investors. First, we find Portuguese descendants, usually second- or third-generation migrants in other countries, such as France or

Germany. They constitute the slighter portion of small-scale foreign investors, and their motivations are very similar to the Portuguese living abroad: economic and emotional. They have the capital, and owning a house gives them a bond with their families' homeland. Second, there has been a boom of EU citizens investing in the Portuguese housing market. The Non-Habitual Resident programme is critical in attracting some of these EU investors. I24 highlighted the tax exemptions overlapping in time with other countries' tax reforms, as in the case of France: "The French government established a higher tax ... we witnessed how they [French citizens] changed [their residency] to here". There has been a trend in French nationals acquiring properties in Portugal, as demonstrated by the fact that they have been the most important foreign actors since 2016 (Table 2). The British and Germans have also been prominent. This kind of investor, who settles permanently or for a few months a year, coincides with the rise of lifestyle migrants (Montezuma and McGarrigle 2019). Third, non-European investors have also increased. I22 mentioned that "purchases we have assisted with have been mainly for foreigners; only last year, we sold assets to 54 different nationalities". I23 referred to a combination of different purchasing powers and wealthy transnational investors, who typically are potential Golden Visa recipients, such as Brazilians and Chinese nationals. Interviewees also mentioned investors from Iran, Turkey, Saudi Arabia and the United States.

Beyond nationalities and background, it is crucial to see the motivations and strategies of small-scale investors. First, as I5 commented, "they are looking for profitability: to buy an apartment to make money". A consensus exists among interviewees that, in central Lisbon and Porto, compared with other real estate products, the STR market gives investors the fastest option to recover the investment. I23 commented that "a STR usually yields 4, 5, or 6%, depending on the property's characteristics", and even "up to 13%", according to I13. We had the chance to interview a Golden Visa investor, I27, who clarified that "the big difference is that the revenue right now is incomparable; you make three or four times as much on Airbnb".

However, profitability does not only come from renting in the STR market. Investors look for capital gain, meaning they use the STR market for a while and sell the asset when the opportunity arises. The capital gain that investors could get in Portugal was significantly higher than in other European countries because of the possibility of buying at competitive prices. The cycle of disinvestment in the historic areas of Lisbon and Porto and the expected reinvestment due to state intervention offered great opportunities. In other words, investors have benefited from rent gaps opening. I23 commented that "foreigners investing in London, Paris, or Madrid now arrive in Lisbon. We believe prices are high, but still, they are cheaper than in other European capitals". For instance, the average sale price in 2016 in Lisbon was €1,875/m² and in Porto, €1,088/m², while in Barcelona it was €3,158/m² (Barcelona City Council 2022; INE 2022). Housing prices significantly grew in the past years despite the impact of the pandemic; in 2021, the sale price in Lisbon was €3,427/m² and in Porto €2,264/m², implying an increase of 82.7% and 108%, respectively (INE 2022). In Barcelona, the growth was 29% (€4,075/m² in 2021).

The profitability reasons for investing in Portuguese cities couple with global political-economic factors. I11 commented that “most people got an apartment to gain profit, because nowadays having your money in the bank is a risk, and the interests are zero”. He was referring to the tendency across central banks to lower interest rates to discourage savings and foster consumption, which has been a standard expansive economic policy after the 2008 crisis. The result is that private banks offer scanty dividends for deposits or other financial products, which has prompted housing financialisation. Another international factor is volatility and instability in stock exchange markets, especially regarding more prominent players diversifying their businesses. I24 explained that “big fortunes across the world have not received what they expected from financial markets, so they are leaning to real estate ... it’s like a safe haven, you put your money somewhere you know it will not devalue”. As we mentioned, housing has become a refuge for capital among wealthy individuals (Fernandez and Aalbers 2016). Our point is that the STR market strengthens this process as it further offers investors not only future capital gains but also present rental yields, in addition to the option to use the asset as a holiday home.

Large-Scale Investors: Investment Firms and Institutional Investors

The line between small- and large-scale investors is not always clear-cut owing to feedback both to each other and to corporate hosts. Following the size and spatial scale of operations, large-scale investors are often companies instead of individuals and families, and they usually invest in various properties and not in a single country or city. Even so, there is diversity among large-scale investors in terms of economic capacity, business diversification or the number of employees. We have been able to identify two kinds: investment firms and institutional investors.

Investment firms are asset managers and offer investors a variety of funds to diversify their investment strategies. Global real estate companies such as JLL and CBRE, inter alia, work as investment firms, creating funds to finance developments. In Lisbon and Porto, to finance housing rehabilitation, these firms create tailor-made investment funds where the minimum amount to participate is €350,000, thus attracting Golden Visa investors. These companies establish partnerships with corporate hosts, and indeed some property managers, like Optylon Krea, are also developers. In our interviews, corporate hosts explained that STR-based developments are usually funded this way. The fund dissolves when STR units are sold, and dividends are shared. The role of the corporate host is crucial because, in the transaction, there is an agreement that they will manage the units resulting from the redevelopment (usually a building rehabilitation). Consequently, if heretofore we referred to investors who buy housing and obtain returns by renting on the STR market and benefiting from capital gains, we now refer to investors obtaining returns by taking a development risk. According to I26, investors in these funds obtain a 5–6% return. Here state reforms are crucial because these operations benefit from the Golden Visa programme and the New

Legal Regime For Urban Rehabilitation, which offers tax benefits to investment funds.

The distinction between small- and large-scale investors blurs in these operations as both can participate in those funds. According to our interviewees, most investment firms manage foreign capital but were unwilling to give details about how they work, so it is difficult to account for the origins of capital circulating towards STRs. Notwithstanding, interviewees mentioned that individual foreign investors in these funds are not only Golden Visa applicants. For instance, I2 said that “these are people who don’t have a problem making a 500,000 or 1 million euros investment”, emphasising that their primary motivation is the return of the development risk. Their size of investment is thus the largest among individual investors, so this group could hardly be labelled migrant investors. Even though they may be attracted by the Portuguese lifestyle as much as by housing prices and profitability, they do not buy to visit the country for more than a few weeks a year, if they ever come to Portugal.

Some of these investment funds are foreign family offices that usually buy entire buildings and give the management to corporate hosts. For instance, I10 recognised that her most important client is a Chinese family office with a 25-apartment building. Similarly, I22 recalled that “I sold a two-million-euro building exclusively for Airbnb last year ... you’ve got a few big players in the Airbnb business that are almost hotel chains”. Other interviewees mentioned that they manage assets from enterprises founded with capital from the Netherlands, Germany, Israel, Turkey or Lebanon. I25 summed up the situation with an example: “If an investor has 3 million euros to invest in German public debt, he’s suddenly losing money because the interest rate is negative ... If he invests in a building instead, renovates it all, he has a real estate value of three million and a half, and in five years it will be more”.

Institutional investors are business organisations that manage and invest capital from third parties, such as banks, private equity funds, insurance companies, pension funds, etc. According to a few interviewees, institutional investors are not very active in the STR market despite the flow of capital from abroad. This is also related to state intervention because Real Estate Investment Trusts (REITs), that is, traded companies that are the principal financial tool for institutional investors, were only introduced in Portugal in 2020. REITs have entered the STR market to pave the way for institutional investors in other countries, such as the United States, the United Kingdom and Spain (O’Neill 2022). For example, I26 told us that “institutional investors are looking for stable income, so they would be happier with a long-term lease, but not a short-term one because it is seen as something very seasonal, fluctuating”. This situation may change with the introduction of REITs, as they must rent their inventory for at least three years. Notwithstanding, I19 acknowledged the presence of some institutional investors securing buildings in Lisbon and Porto. I15 also recalled a few groups searching for properties in Porto—among others, an Israeli private equity fund that had acquired “13 or 14 buildings”. Nevertheless, he thinks institutional investors do not solely focus on STRs, so they have entered this sector to diversify their investment strategies. I20 and I28 shared this opinion.

Another example we found is the rent-to-rent model in partnership with a bank owning apartments in prime locations. I9 commented that “we have a client with 25 apartments, but they are not all theirs. What he did was [create] a contract with a bank stating he can sublet the apartments”. This handling shows how a bank enters the STR market through a third party who hires a corporate host to manage the properties. Again, the role of corporate hosts is crucial, as property owners have fewer risks and still yield benefits from assets that may not be useful otherwise.

Final Reflections

The STRs’ rapid growth cannot be explained exclusively through a narrative of innovation and disruption. Similarly, these platforms’ ability to open rent gaps and the consequent argument of homeowners switching from long-term to short-term rentals are insufficient to explain the wave of investment in the market. By the same token, the literature dealing with housing and urban governance financialisation has not paid enough attention to the importance of tourism development in cities specialising in the activity. Starting from a political-economic approach exemplified in the Portuguese case, we have shown that the actors involved in the growth of STRs are multiple, the reasons for investment are varied and the process is far from spontaneous. STRs’ success is shaped by structural factors associated with neoliberal policymaking at state and (late-entrepreneurial) local scales. Moreover, the decisions of central banks—like the ECB—have played a key role in maintaining low-interest rates to foster consumption, making it almost worthless to keep money in banks and triggering a move toward housing investment. This has deepened the financial landscape by reinforcing housing as a global strategy for wealth accumulation for different profiles of investors, especially since 2008. As yields from stocks and bonds have slowed down, fortunes have leaned towards different real estate assets, expanding the option of housing as a store of value. The rise of tourism and singularly STRs responds to that scenario. That is a crucial finding from our research: housing and tourism development feedback determine the real estate market in touristic-urban contexts, especially in central locations. Following Peck’s (2017) conjunctural approach that highlights contextual particularities, our inter-relational analysis makes sense of the complexities within a world region that acutely suffered in the 2008 crash because of economies built around urban development and whose way out of the crisis was envisioned through tourism in a conjuncture of events that required rigid austerity. In that sense, our reflections revolve around Southern Europe’s specific context.

The Portuguese government adopted several neoliberal policies after the Troika’s bailout. They focused on landing transnational capital, deregulated the rental housing market, maintained a loose bureaucratic process for registering STRs (in collaboration with local governments in charge of policing them) and introduced fiscal benefits for housing investment and urban renovation, alongside tax exceptions for foreign wage income. Additionally, Portugal set an agenda to promote the country as a top tourist destination through different campaigns and events,

increasing the real estate value in touristic areas in Lisbon and Porto. The combination of these structural reforms and the rise of corporate hosts within digital tourism platforms in a financially-led global economy explains why investors saw STRs as a business opportunity. Accumulation through the second circuit of capital was increased in Portugal by fixing investment in the built environment for tourism purposes in central neighbourhoods. The situation may have deepened inequalities between people and territories: differences between economies within the EU have expanded, with the Portuguese economy being more dependent on tourism and foreign capital. This brings into focus how neoliberal policy exacerbates class divisions and uneven development even within the global North.

Corporate hosts are the backbone of the process. Their businesses have thrived within digital tourism platforms, like Airbnb, yet their success relies on hosting performance and their knowledge about local real estate markets. On the one hand, they provide a professional hospitality experience for visitors, and on the other, they work to attract investors to the market, acting as intermediaries between the latter and on-the-ground dynamics, taking care of the properties for distant landlords. In the early stages, these professional managers contacted local landlords renting in the residential market and promised higher revenues if they replaced tenants with visitors. Contrary to mainstream explanations, corporate hosts shaped the market beyond the mediatory role of digital tourism platforms, which realised that they needed these local property managers to amplify the business. This in turn created an environment for professionalisation because they guaranteed significant revenues. It was a win-win situation. As the market evolved and benefits were given to foreign investors, corporate hosts lubricated investment by offering a turnkey service and ensuring high occupancy rates and profitability. These property managers used market data to offer profitability projections to potential investors, working closely with real estate firms that help fix capital in the built environment through tourism-induced housing renovation and development. In other words, corporate hosts opened new investment opportunities for wealthy individuals and corporations, promising high returns and a flexible product in a context where housing is seen as a financial safe haven.

State reforms and corporate hosts' activities ultimately exist to bring on investment. Thus, we researched the profile of investors in the STR business, whose essential characteristic is that they hire corporate hosts' services. Small-scale investors appear to make up a larger share of the market. Some small-scale investors do not contract with corporate hosts and decide to handle their properties personally, but they are a minority. The majority of STR buy-to-let investment consists of various small-scale actors, both single individuals and families, who have taken the profitable opportunities offered by the STR market through professional management. These are, increasingly, foreign actors wishing to put their capital to work to obtain rapid investment returns and, in some cases, a Portuguese passport, thanks to the Golden Visa. Meanwhile, some small-scale local investors have upscaled, forming business partnerships and companies—sometimes with transnational investors—to acquire housing in both cities. Investment firms are a growing phenomenon, often closely related to the rise of corporate hosts. The most common STR-oriented investment firms usually include foreign investors who take a

development risk—in opposition to the Golden Visa—and family offices. Hence, these large-scale investments are funds participated in by investors who, in other circumstances, might be categorised as small-scale. Finally, although the STR option may not be the one most desired by institutional investors, we realise that they are entering the market in Lisbon and Porto.

Research on STRs has predominantly focused, so far, on Airbnb's emergence and hospitality strategies, its demand side and its urban impacts connected with gentrification and touristification. In most cases, explanations have pointed out digital platforms' innovation strategies and the sharing economy logic. Instead of creating a community where hosts and visitors meet in underutilised homes, we have demonstrated that they maximise housing rents in touristic cities' central areas, with corporate hosts working on expanding the geographies of housing financialisation. Tourism development has not commodified housing because that was already underway before the post-crash tourism boom, but it has deepened the process by leading the capturing of urban surpluses through STRs as an investment that yields succulent returns. Urban tourism has taken the already commodified and financialised housing market to a new dimension. Our research also highlights why policies limiting the number of properties a landlord can list on digital platforms are unsuitable for regulating STRs. Its market expansion and socio-spatial impacts are interrelated, so the approaches for tackling them must be systemic. They must also involve imagining new scenarios outside the neoliberal project, which prioritises foreign investment over the needs of local populations. Further research needs to focus on the relationship between tourism and digital housing platforms, their use of big data and the way in which they impact cities at different scales and in different world regions. Investigating the ways public decision-making has evolved concerning tourism platforms and housing investment, with a focus on public officials, also seems relevant to understanding the function of the STR market.

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Endnotes

- ¹ Data from Inside Airbnb (<http://insideairbnb.com/>), March 2020.
- ² Data from OECD (<https://www.oecd.org/portugal/>).

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