

Article

The Real Estate and Economic Crisis: An Opportunity for Urban Return and Rehabilitation Policies in Spain

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Abstract: In the early 1980s, suburbanization and periurbanization processes became widespread in major cities within Spain. An interesting stage of returning to city centers commenced that materialized in the start of rehabilitation policies within historic centers. These processes coincided with weak population growth, an acute industrial economic crisis, and new democratic policies in municipal councils. Three decades later, we may be witnessing similar processes, although with different origins. The consequences of a construction-based economic model have been disastrous in Spain, from both an economic as well as an environmental point of view. The artificial land boom was significant throughout the country, but was especially prominent within the Mediterranean areas that specialize in tourism and real estate (second homes). The burst of the real estate bubble has shown the irrationality of the economic model and the serious social and environmental consequences that the model has entailed. Within this context, some of the territorial transformation processes that occurred in Spain during the real estate boom period are being studied for the first time. Additionally, changes in land policies (urban renewal of centers and urban renewal in general) within the current economic and real estate crisis are analyzed. An urban rehabilitation that gradually includes new spaces for intervention and for introducing new sustainable methods for recovering degraded spaces, such as the Master Plan for Platja de Palma, a mature tourism destination that seeks a final ‘0 CO₂ balance’ scenario, among other objectives.

Keywords: metropolitanization; sprawling city; housing prices; development of artificial land; urban rehabilitation

1. Introduction

Studies that link economic cycles with other, specifically geographical cycles—such as those related to territory and cities—are increasingly common. The connections between cities and the economy have long been examined and are the focus of well-known urban studies that range from the classic works by Mumford [1] and Jacobs [2] to more recent ones [3-6]. In general, urban geography examines the economic activities that have driven urban growth or decline throughout history—the fundamentally important links between urbanization and industrialization. These relationships are more complex in the post-industrial era and the urbanization process has come to depend on a variety of interconnected variables (e.g., globalization, informationalization, the planetary ecological crisis).

In Spain, authors such as Méndez [7], Fernández [8,9], Wallerstein [10], Burriel [11], Rullan [12] and Lois [13] have studied the interrelationships between the economic system and the territorial structures. Lois [13] studied the transformations in the organization of space that have taken place since 1980. These transformations are due to economic growth, the consolidation of the urbanization process, the revolution in communications and transportation systems, and the multiplication of tourism-related practices, among others. With respect to the territorial impacts caused by tourism, Rullan [12] has connected economic growth cycles to the spread of urban sprawl on the one hand, and the resulting economic downturns to the containment of urbanization on the other.

More recent are studies that analyse the impacts of economic cycles on territories and cities, such as works on landscapes [4] and fundamentally, changing land uses. The scientific output on the latter topic in recent years has grown substantially hand-in-hand with the new techniques and progress in developing geographic databases on the subject. A number of international projects have been developed since the early 1990s, one of the most important of which was launched in 1993: the Land Use and Land-Cover Change (LUCC) scientific plan, which is part of the International Geosphere Biosphere Programme (IGBP) and the International Human Dimensions Programme (IHDP) developed under the auspices of the International Council for Science (ICSU) [14]. In Europe, the most outstanding project is the CORINE Land Cover programme (CLC), which has been supplemented by the development of the Land Use-Land Cover Area Frame Statistical Survey programme (LUCAS). In Spain, one prominent programme is the SIOSE (Land Cover and Use Information System) promoted by the country's National Geographic Institute and the Ministry of Housing's Urban Information System (SIU). There are also a number of major proposals at the regional level, such as the Community of Madrid's study on land occupation for urban-industrial uses; its methodology will be applied in the other Spanish provinces.

2. Objectives and Methodology

This paper presents two interrelated objectives. The first is to study the processes linked to the spread of urbanization throughout Spain and to the housing market during the period of the greatest residential housing boom in the country's history. The second is to analyze the possibilities the economic crisis of 2007 has opened up for the inception of a new phase of urban return policies that prioritize rehabilitation and which are committed to a compact city model. Our starting point is the hypothesis that if the real estate and construction sectors' dynamic nature since the mid-1990s

produced large-scale regional and environmental impacts, the financial crisis originating in these sectors and the mortgage markets will, in and of themselves, have significant impacts on land use and urban policies.

The methodology used in our study was based on the statistical use of data on demographics (National Statistics Institute, INE) land use (Corine Land Cover) and land prices (Ministry of Public Works and Transport), the cartographic treatment of environmental indicators linked above all to land use and the evolution of urban surfaces and the interpretation and study of the most recent territorial and urban policies, in order to evaluate the role of urban policies in the current territorial model. Our paper basically works with two scales: municipal and urban. One of the main sources used in our work was the Digital Atlas of Urban Areas in Spain, from which we borrowed the territorial delimitation and classifications that it uses for urban areas. According to the Atlas, in Spain, there are 85 large urban areas composed of agglomerations in which at least one municipality is home to more than 50,000 inhabitants. As an exception, the areas of Soria and Teruel—the two provincial capitals with fewer than 50,000 inhabitants—will also be included. Altogether, 31,772,837 inhabitants—67.96% of the Spanish population—resided in these urban areas in 2009.

Treating each urban area differentially is complicated in a study of this nature. Therefore, in order to conduct a comparative study of demographic and territorial dynamics, we have chosen to group urban areas into two types of classifications. The first is in terms of size measured by population in 2009: Level 1 (over 500,000 inhabitants), Level 2 (250,000–499,999), Level 3 (100,000–249,999) and Level 4 (50,000–99,999 people) (Table 1). The second is by macro-regions. To this end, we adopted the classification used by Vidal [15], which reflects geographical realities. The macro-regions and regions that make up this classification are as follows: North (Galicia, Asturias, Cantabria, Basque Country, Navarre, and La Rioja), Center (Castile-Leon, Castile-La Mancha, Madrid, and Extremadura), East (Aragon, Catalonia, the Community of Valencia, the Balearic Islands, and Murcia), and South (Andalusia, the Canary Islands, Ceuta, and Melilla) (Table 2).

Table 1. Distribution of urban areas according to number of inhabitants (2009).

	Total urban areas	Population	Surface area (ha.)
Level 1	14	20,836,457	18,878.16
Level 2	10	3,845,329	5,396.42
Level 3	30	4,884,550	13,857.51
Level 4	31	2,206,501	10,077.83

Table 2. Distribution of urban areas by macro-regions.

	Total urban areas	Population	Surface area (ha.)
North	13	4,713,590	5,898.53
Center	20	8,253,156	12,532.41
East	25	11,771,089	15,007.19
South	27	7,035,002	14,771.79

The content of the study is structured into three main sections: (1) metropolitanization and suburbanization; (2) the real estate boom and development of artificial land; and (3) the possible

changing trends in urban policy that have resulted from the economic and real estate crisis, as well as the opportunities that they involve.

3. Metropolitanization and Urban Sprawl in the Territory

Spain's late start in the metropolitanization process, in comparison with other Western European countries, was due to its special economic and, above all, political circumstances. In major cities, this process dates back to approximately 1960, the same time as when the changes that took place during the Franco dictatorship in the economy (National Stabilization Plan of 1959 and the economic and social plans that were developed as of 1962, *etc.*) and foreign policy (the Mutual Defence Agreement signed with the United States in 1953, Spain's admission into the UN in 1955, *etc.*) occurred. During this decade, Spain abandoned its post-war autarky and entered a new "developmentalist" phase; these are the years in which the country's cities first began to explode. In demographic and territorial terms, this first phase (1960–1973) was characterized by population growth and territorial concentration [16]. There was a substantial expansion of peripheral areas (yet not in the form of sprawl), which was the result of public initiatives primarily aimed at constructing large residential and industrial estates, as well as new communication infrastructures and public facilities. Meanwhile, private initiatives focused on urban developments in city centers. The compact city model predominated.

Using the classification of urban areas explained above as a reference, the population densities in 1960 displayed a number of differentials by macro-regions that generally still hold true today. The urban boom of 1960 significantly increased densities across all the macro-regions, with one exception: the South, a territory with weak industrialization and a looser urban network articulated around economic activities linked to the countryside. In 1960, density was particularly noteworthy in the North's urban areas, which were made up of the old industrialized regions and compact, well-structured urban networks. In the 1960s, population growth and the consequent densification occurred mainly in the most populated urban areas. This happened, above all, in those locations with over 500,000 inhabitants today. Between 1960 and 2009, density in all the urban levels doubled (Table 3).

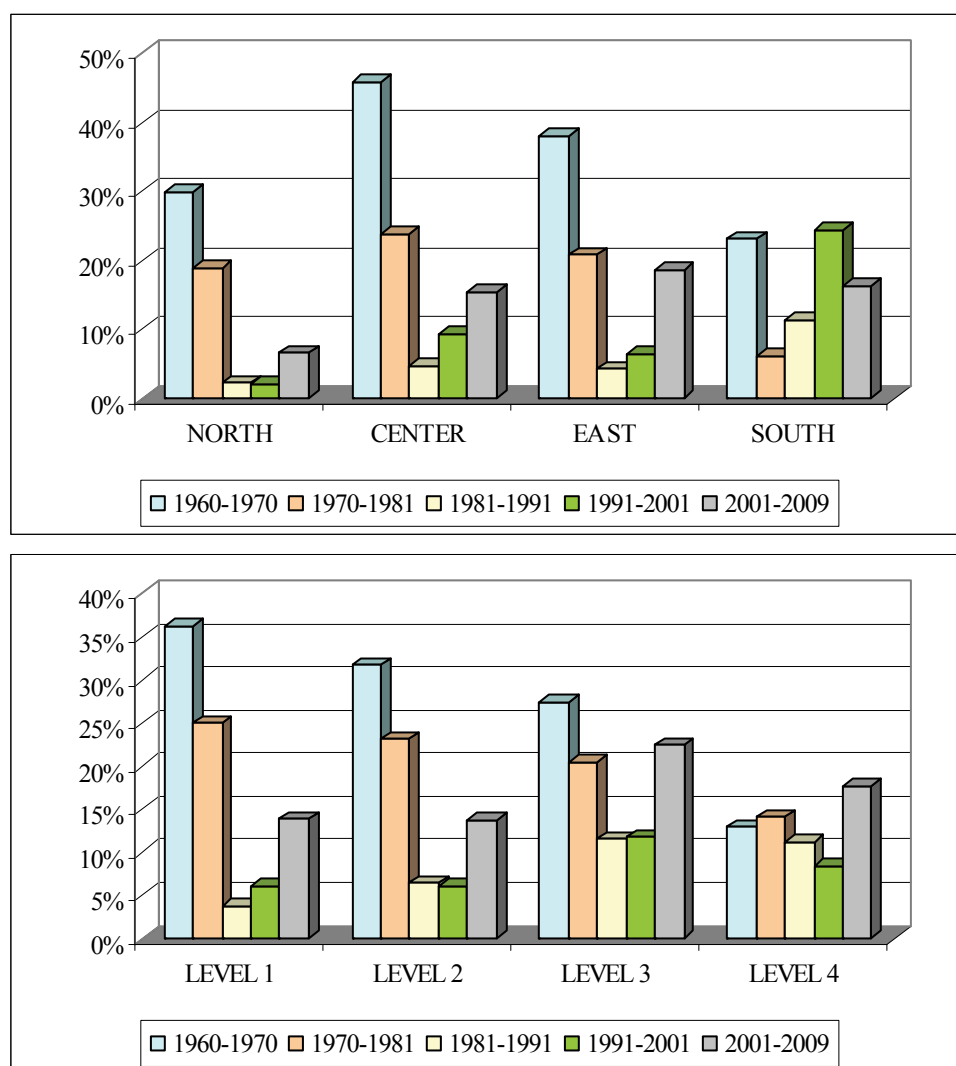
Table 3. Population density in urban areas by macro-region and urban level.

	1960	1970	1981	1991	2001	2009
North	464.33	603.06	716.94	733.31	749.39	799.11
Center	275.59	401.68	497.58	521.62	570.92	658.54
East	357.32	493.13	595.77	621.32	661.53	784.36
South	225.81	278.10	295.21	328.66	409.13	476.24
	1960	1970	1981	1991	2001	2009
Level 1	516.74	703.70	879.58	912.86	969.35	1,103.73
Level 2	342.25	450.65	554.79	590.62	626.58	712.57
Level 3	150.23	191.54	230.83	257.56	287.91	352.48
Level 4	119.76	135.23	154.28	171.65	186.15	218.94

Source: Data from Ministerio de Vivienda (Ministry of Housing) *Atlas digital de las áreas urbanas de España (Digital Atlas of Urban Areas in Spain)* [17] and INE.

A study of population growth during each decade is even more illuminating—if possible—of the processes we are explaining. Except for the urban agglomerations in the South, the 1960s was the most important decade for the other three macro-regions in terms of rising population. In all of these three cases, this trend can probably be explained by the significant growth of the most highly populated urban areas (Levels 1 and 2) (Figure 1). In the Center, the demographic boom was due to growth in Madrid’s urban area, where the population increased by more than 1.2 million inhabitants in the 1960s, an absolute increase of 1.5 million across the macro-region. The North and East also experienced their most dynamic demographic growth in the last half century. However, in both cases, the growth was less than 40% and displayed greater urban polycentrism. Barcelona’s urban area accounted for 51.6% of growth all urban areas in the East, and Bilbao’s accounted for 30.67% of the growth in the North.

Figure 1. Population growth in urban areas by macro-region and urban level. Source: Data from Ministerio de Vivienda *Atlas digital de las áreas urbanas de España* [17].



The urban land use patterns typical of sprawling cities appeared during the second stage of metropolitanization (1974–1996). This first occurred in the biggest cities and then, somewhat later, in the urban areas in the Mediterranean that specialize in tourism. The central municipalities in the most

dynamic urban regions entered a stage of significant slowdown, while their expansion areas began a period of urban-territorial expansion and population growth [16].

Although the population continued to grow in the 1970s, the demographic downturn led to slower growth in population densities across all levels and macro-regions. The exception was the group of the smallest urban areas, in which population density rose slightly in those years. Between 1981 and 1991, population densities in all macro-regions and urban levels barely altered as a result of the generally low demographic growth. The urban areas in the South experienced their own particular dynamics, and, by urban levels, the least populated levels (3 and 4) were the ones that best supported the consequences of the demographic crisis (the country's demographic transition was complete by the early 1980s) and the economic crisis (industrial restructuring) of the 1980s. One new feature during this decade was population growth in the smallest urban areas, which began to fulfil new functions in this

new, post-Fordist stage. This was true of several small urban areas on the coasts of the Mediterranean and the Canary Islands (Costa Blanca, Costa del Sol, Gran Canaria Sur), which acquired a greater demographic weight and new urban functionalities with the development of tourism. Absolute population gains in these areas mirrored those in the major urban areas of their respective regions; the territorial consequences of these trends were manifold. The compact city model typical of the Mediterranean world began to change, which was apparent as of the mid-1980s with the start of a new cycle of economic expansion.

From this time on, cities underwent substantial spatial growth, metropolitanization processes were reinforced, the first urban areas began to take shape, and land use increased [18]. These territorial changes did not correspond to a significant rise in population densities. This meant that the new demographic contributions were distributed differently across the territory: the cities expanded, yet this was hardly reflected in the population figures. In the 1990s, the urban areas in the South, with its low industrial potential during the preceding decades, were the most dynamic from a population point of view. The growth during this decade suggested the progressively dynamic nature of the smallest urban areas—those with fewer than 250,000 inhabitants. This was the inception of a new stage in the urbanization process in Spain. The stage was characterized by a boom in housing activity and by the rising price of land, among other features.

Professor Oriol Nel·lo [16] dates the start of the third stage of the metropolitanization process to 1997, which confirmed a trend that had begun to be perceived at the beginning of the decade: metropolitanization was not limited to the biggest cities. These new urban processes extended to small and medium-sized urban areas, including those located in non-emerging territories. The population densities and demographic growth in the urban areas in Levels 3 and 4 bear this out. Madrid's metropolitanization spread demographic growth to other urban areas within its sphere of influence (Toledo, Guadalajara and Aranjuez). The economic importance of the Ebro's and the Mediterranean's developmental axes on the urban processes in the East macro-region was notable. Urban areas as centers or nodes of these large networks would experience a real estate boom driven largely by tourism, a feature they had in common with many urban areas in the South (Andalusia and the Canaries). As for intra-metropolitan patterns, the trend of dispersing population and urbanization was confirmed and accompanied by a new feature: major cities would once again undergo significant

demographic growth, mainly caused by a boom in foreign immigration, which tended to be located in city centers [16,19].

In short, the new capitalist cycle following the global crisis of 1973 ushered in a period of brisk economic growth and a new urban-metropolitan stage characterized by the internal transformation of urban areas and the spread of urban dynamics from the biggest cities to the smallest agglomerations. From the 1980s on, growth was more spatial than demographic, which resulted in the production of the low-density city. In Spain, the pre-eminence of the urban periphery during the post-Fordist period led to the creation of new centralities and urban sprawl in the territory, in both a residential sense and in the sense of symbolic-cultural centrality (institutional, leisurely, and commercial). Even so, unlike other neighboring countries, this expanded urbanization did not always mean the decline of central urban areas in Spain [19].

4. The Real Estate Boom and Increase in Artificial Land in Spain

On June 6, 2005, *The Economist* defined the real estate bubble as the largest speculative process in the history of capitalism. And it was right. The First World is a safe area for investments and there was a lot of money to invest. The flight of capital from the equity markets that occurred between 2000 and 2003 was primarily funnelled to the real estate sector, which disproportionately absorbed all international financial assets. And because of its potential for residential tourism, Spain was a magnet for global speculators, which led it to become the European Union country with the most dwellings per thousand inhabitants, the most empty houses, and the most second homes, which is why it so richly deserved its description as “the tip of the global housing bubble” [9]. The expectations created around land and housing sent prices soaring and encouraged speculation.

However, as expected, the effects of these excesses were not long in coming. The collapse of the real estate bubble in 2007 plunged the housing market into the longest and most intense recession in the country’s entire recent history [20]. Studies on the consequences are still scarce. A recent study on sustainability in the Balearic Islands noted how the economic crisis’ effects are bringing with them benefits in territorial terms, although as a counterpoint, and as a result of rising unemployment rates, inequality has increased and social polarization has been accentuated [21].

4.1. Threats: Construction and the Real Estate Sector

“Tsunami” and “tumor” are some of the concepts used by Spanish authors to describe the problems associated with urbanization and housing prices during this economic growth cycle. These descriptions suggest the negative consequences of an economic sector—residential construction—that underpinned the rising Spanish GDP of the past 15 years.

We must start out from an idea: the existence of strong links between finance and real estate and the considerable contributions of capital gains from real estate to economic life [22,20]. According to estimates by Naredo, Carpintero and Marcos [23], real estate assets sank from representing 76% of total household assets in 1992 to 71% in 1998 and then rose again to 80% in 2002. Thus, during somewhat more than a decade, and coinciding with the arrival of the People’s Party (Partido Popular) government, Spain experienced a period of strong economic optimism masked by an assumed wellbeing: steady growth in the GDP, unknown consumption levels, increased numbers of workers

affiliated with the social security system, and falling unemployment rates, *etc.* The country was living far beyond its means, yet apparently this did not matter, since the international financial context clearly encouraged this process and the abundant liquidity in the global economy allowed the private sector's over-spending to be easily financed at a very low interest rate [20]. Moreover, the European Union's convergence process made Spain an attractive destination for investment, by both domestic as well as foreign private capital. And part of that capital sought an investment haven in real estate during the process of changing over from national currencies to the euro [24,25] (Figure 2).

Figure 2. Cartoonists predicted the economic consequences of the building boom. Translation: Frame 1: *As soon as we stop building, it'll all come tumbling down.* Frame 2: person on the left: *Houses aren't worth half of what they cost;* Person on the right: *Yes, but don't go spreading that around—they think it's an economic miracle.* (Reproduced with permission from “El Roto”, published by “El País”, 7 December 2005 and 12 May 2006).



Therefore, what was being touted as the “Spanish economic miracle” (El País, 28/01/2010) was founded on a very strong boost from the real estate and construction sectors. The government took care to lay the legislative foundations, both economic (to encourage capital inflows) as well as land-related (by increasing land suitable for development). This model led housing bubbles to condition the Spanish economy's progress much more intensely than other European countries [26]. As a result, the construction sector, encouraged by the residential-infrastructure tandem, steadily increased its share of the Spanish GDP. This share rose from 6.9% in 1995 to a high of 10.8% in 2006. Today, this share has fallen slightly to 10.4%, a trend that is evolving in line with housing construction (Figure 3). By sector, the rate of construction's variation in the GDP in current prices between 1995 and 2008 was 268.07%, compared with that of only 38.16% for agriculture, 63.67% for energy, 99.62% for industry, and 152.22% for the services sector. If the construction sector is compared in two different years—at the very beginning of the expansionary phase and at the end—residential construction was the only sector whose share grew, absorbing the slumps in the other subsectors (Figure 4).

Figure 3. Percentage of the construction sector’s share of the Spanish GDP and its relation to the number of housing completions: 1995–2008. Source: Data from the INE’s Spanish National Accounts.

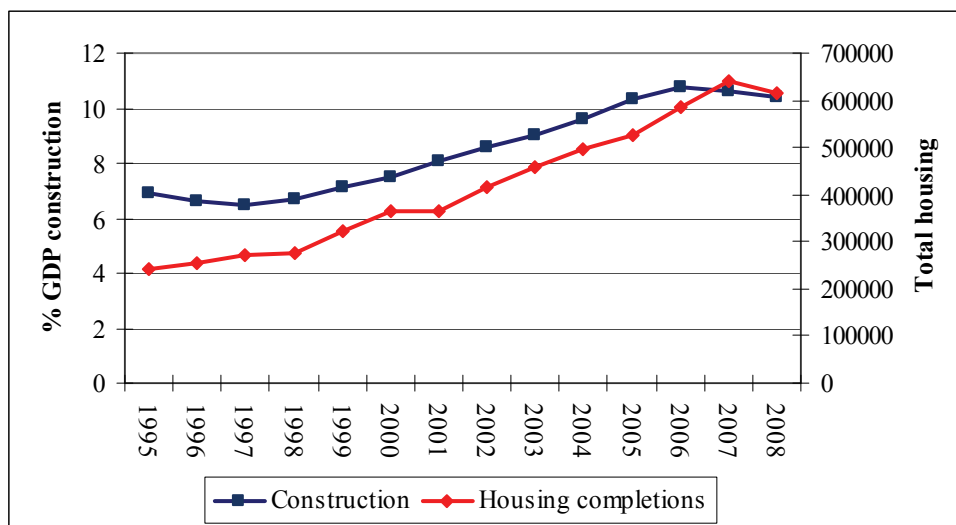
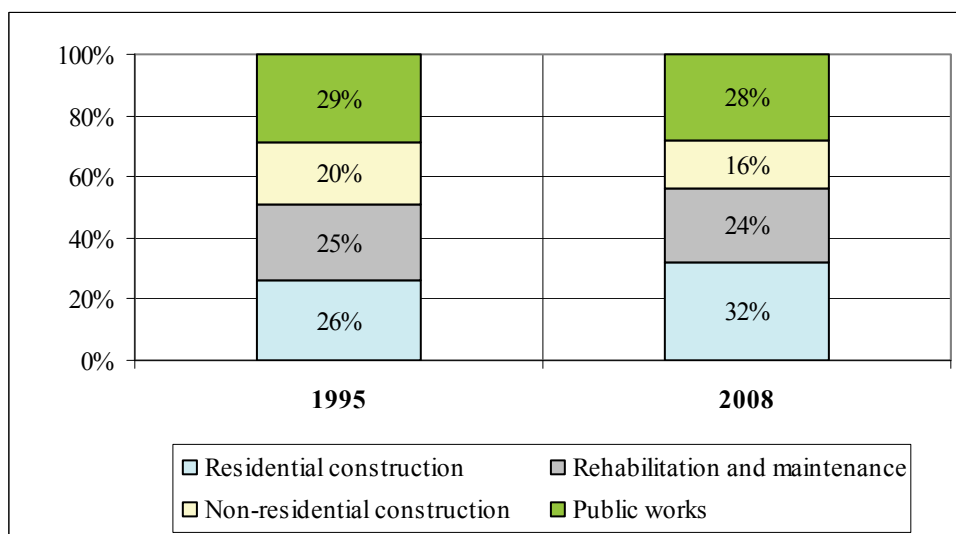


Figure 4. Structure of construction by subsector: 1995 and 2008. Source: Data from statistics of The Association of Spanish Constructors (Asociación de Empresas Constructoras de Ámbito Nacional de España, SEOPAN).

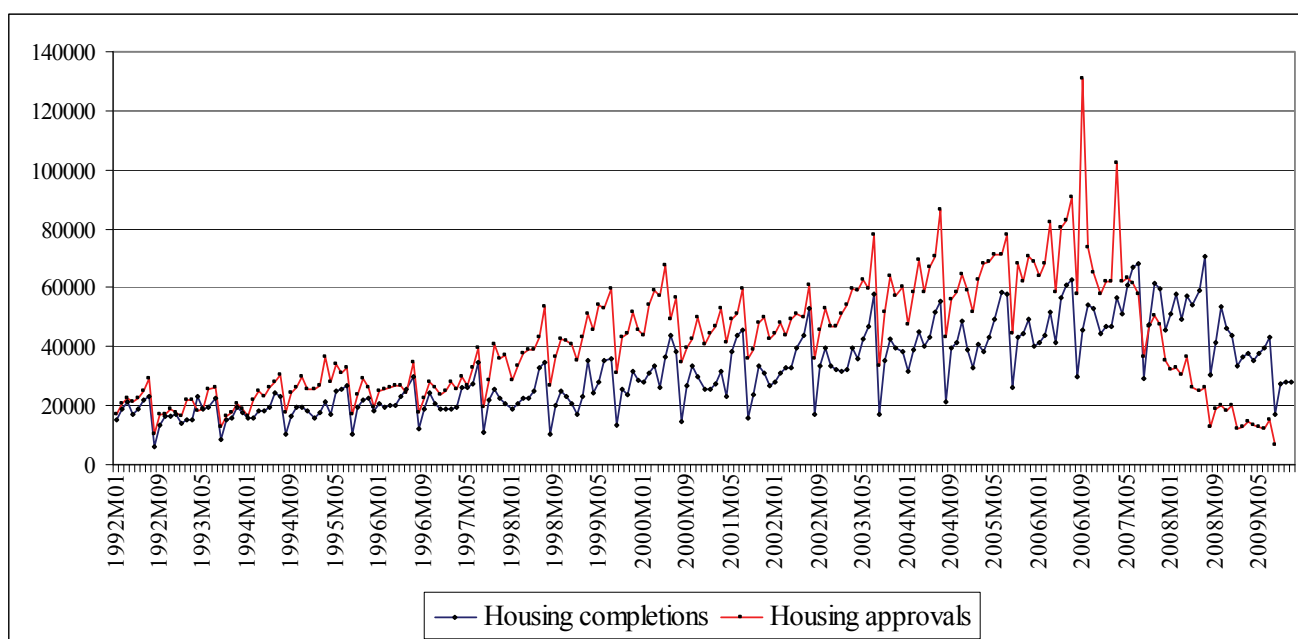


Hence, this was the start of the so-called “third Spanish housing boom” [22], which caused the emergence of a housing bubble between 1998 and 2006 and was primarily driven by a favorable macroeconomic environment, the stock market crisis of 2000–2003, the conversion of housing into a shelter for assets, and by the successive cuts in interest rates. This cheap and abundant liquidity made real estate investments very attractive by promising capital gains and by having favorable tax conditions [26]. The beneficial effects on the GDP and employment led governments to not curb the creation of the housing bubble. In 2007, coinciding with the global economic crisis, the bubble burst. However, while international liquidity—until then cheap and plentiful—was lacking, the Spanish real

estate model, focused on inflating the speculative bubble, entered a crisis [26]. We will study this process of promotion and crisis in residential construction through different indicators: housing approvals, employment, and housing prices.

The monthly evolution in the number of housing approvals and completions from 1992 until now reflects the importance of residential construction in Spain. The expectations generated towards this sector produced a rising number of housing approvals (*i.e.*, those planned to be built) compared with housing completions every month during the years of the real estate boom. The turnaround as of June 2007—more housing completions than approvals—marked the start of the crisis in residential construction (Figure 5). As houses that had already been started are completed, and given the lack of relief in the construction of new housing, a gradual decline in housing completions is predicted in the coming years. In Figure 5, housing starts including expansions and reform works. The data for housing completions are for up to and including November 2009 (included) and housing approvals for up to and including August 2009.

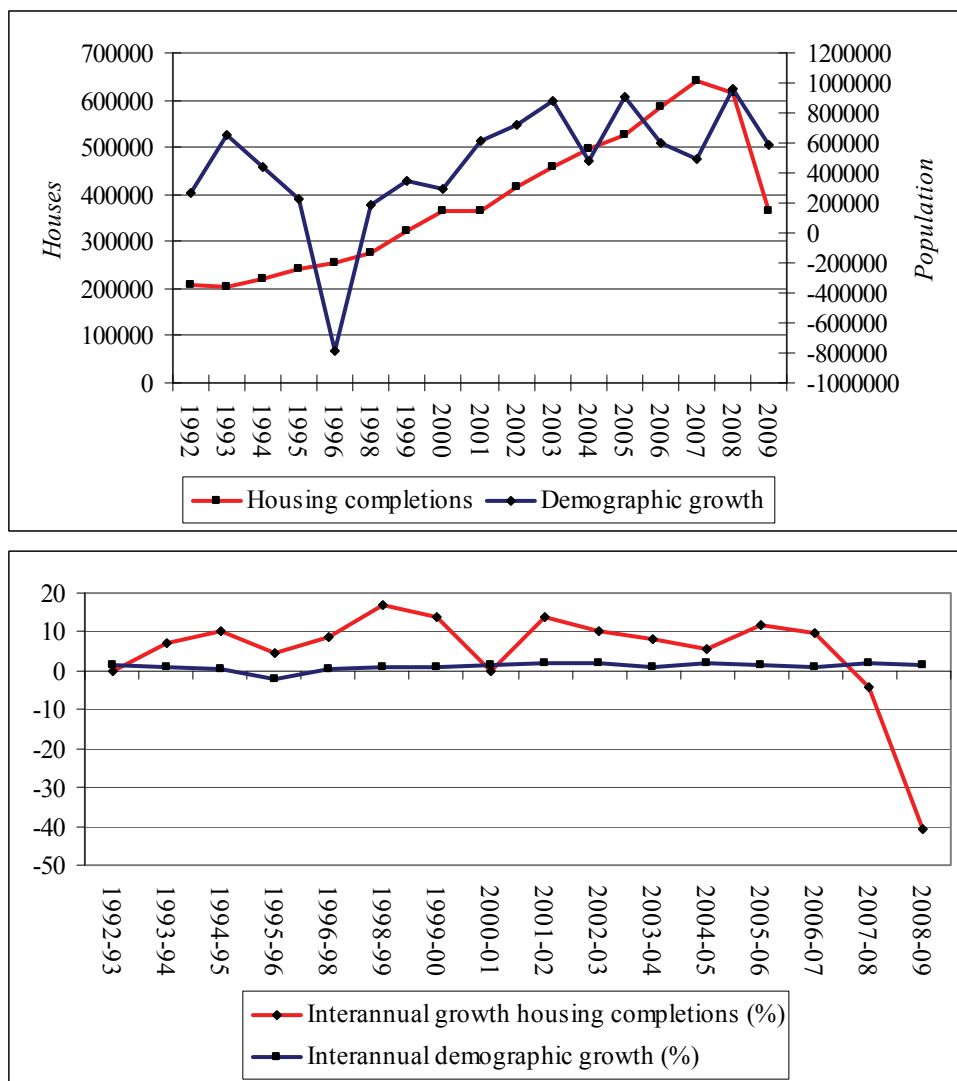
Figure 5. The monthly evolution of the number of housing completions (certifications from technical architect associations) and housing starts (approvals from technical architect associations): 1992–2009. Source: Data from statistics of Ministry of Public Works and Transport (Ministerio de Fomento).



Similarly to stock quotes and expansions, construction and housing prices follow a cyclical pattern that is more closely related to economic aspects than to demographic variables [22]. Thus, the rising number of houses in Spain had little to do with population growth. The main factor lay in the value placed on housing as a speculative investment [9,20,22,27]. That is, residential construction made it possible to cover the traditional housing deficit in relation to Spain's population, yet not the real housing needs demanded by society; above all because of high prices. This was even more serious if we consider the low amounts of investment in social housing and the consolidation of a model firmly committed to ownership [28]. From a relative point of view, annual housing construction rates were

well above population growth until 2007, when the trend changed. Although we lack data for December 2009, housing construction rates fell by more than 40% during the first eleven months of that year, compared with the previous year (Figure 6). In this figure, the data for housing construction in 2009 do not include those completed in December, since the official statistics for that month have not yet been released.

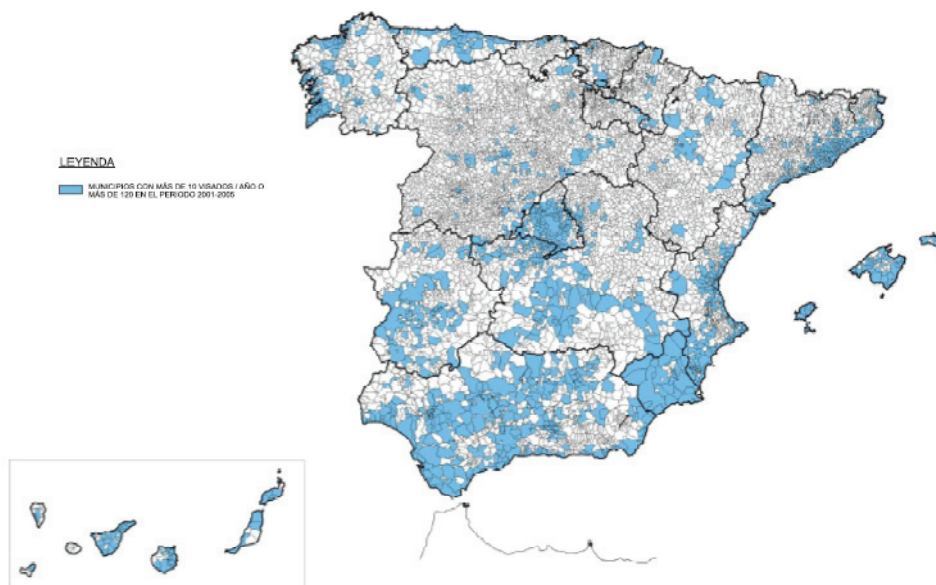
Figure 6. Demographic growth and the construction of completed houses (certifications from the technical architects association): 1992–2009. Source: Data from statistics of Ministry of Public Works and Transport and INE.



The territorialization of these processes can be clearly seen in the map that displays the municipalities with the most housing approvals during the years when construction was booming (Figure 7). This map shows the economic and territorial contrasts in Spain between urban and rural areas, coastal and inland areas, northern and southern halves, and the fundamental role of the axes of development in the organization of the space. Prominent among the causes behind this unequal distribution of real estate activity were the spread of cities in the territory and the generalization of

metropolitanization processes, the shift of the population to the coasts, the importance of second homes, and residential tourism (metropolitan, Mediterranean and islands).

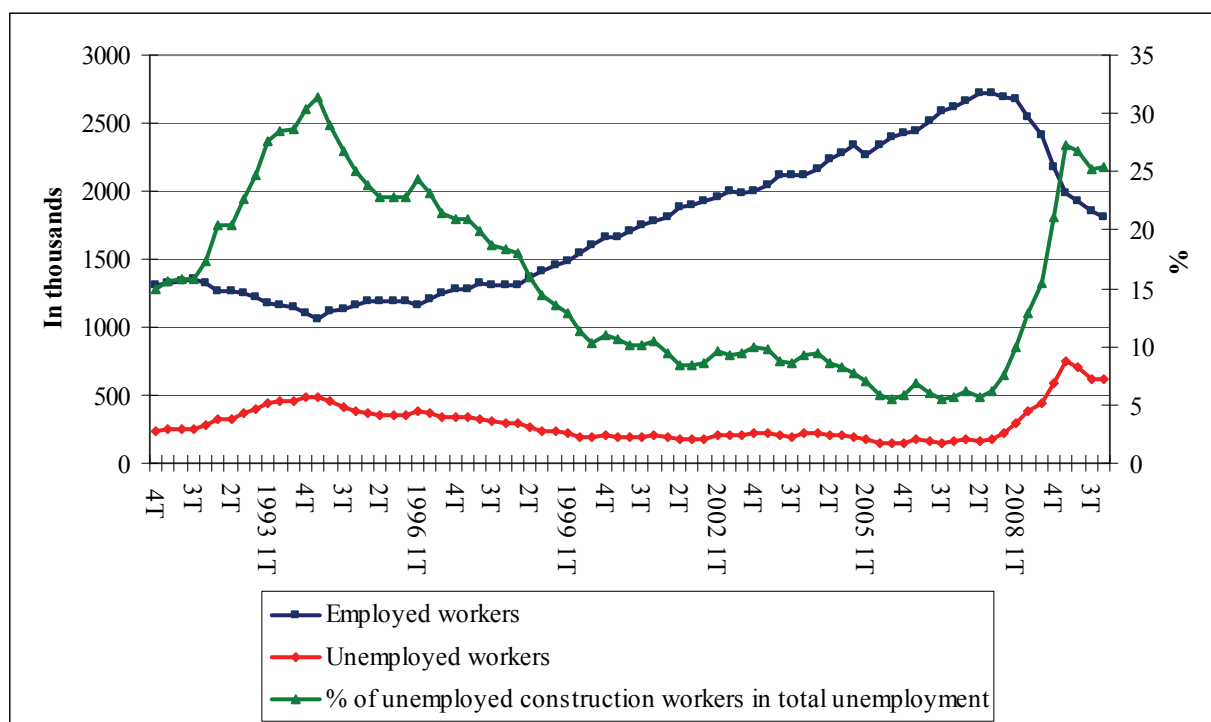
Figure 7. Municipalities with 10 or more approvals per year, or more than 120 during the period from 2000 to 2005. (Reproduced with permission from “Atlas de la construcción en España. Año 2005”, published by “Ministerio de Fomento”, 2007) [29].



This boom in real estate construction had important social consequences, two of which stand out: the robust effect on the labor market, and the impact on rising housing prices, which J. García [30] called the “real estate tumor”. During the years of the housing boom, unemployment in the construction sector was negligible and the number of employed workers grew steadily until late 2007. As a counterpoint, the impact of the housing crisis on employment was disastrous: one in every four unemployed workers in Spain belonged to this economic sector in late 2009, a percentage of total unemployment that is nonetheless similar to the figures from 1993 and 1994. Those years had high unemployment rates in Spain (Figure 8). This confirms the importance of construction in the Spanish labor market and in the country’s economic structure within recent decades.

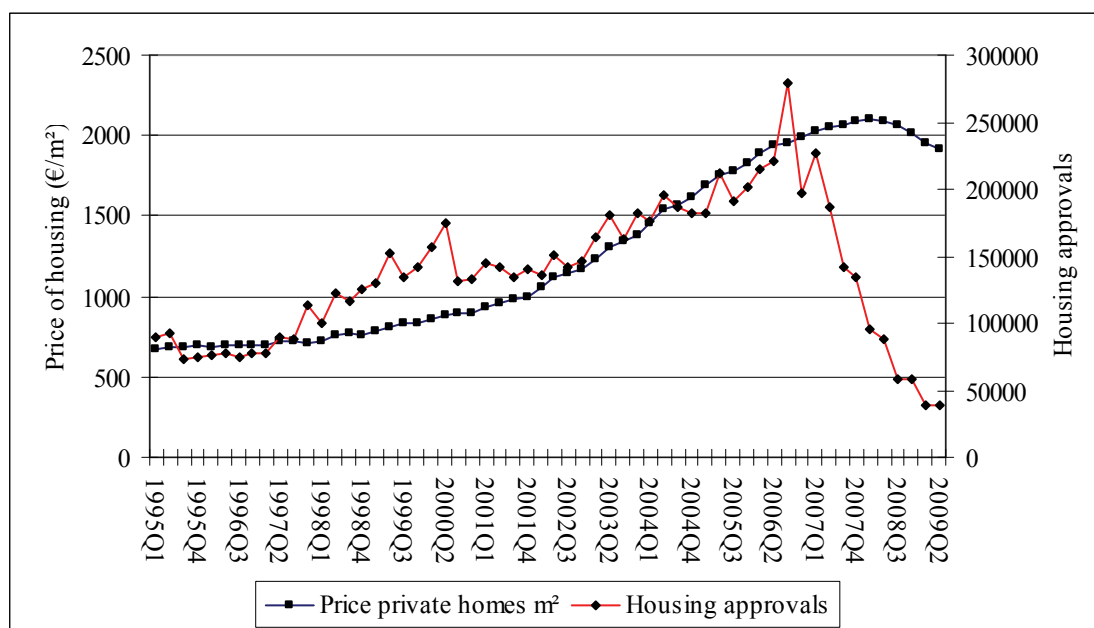
Despite the extensive literature on the subject of housing prices, I believe it is a factor to be taken into account when studying the changing trends in economic and urban policy. The average price of housing rose by 212.41% (€1,424.90/m²) between the first quarter of 1995 and the last quarter of 2007. In relation to purchasing power, buying a house was more than twice as expensive for a family at the end of the stage under consideration than at the beginning. Economist J. Garcia [30] claimed that around 60–65% of this evolution in prices could be explained by the usual factors (population, income, interest rates and occupancy rate, *etc.*), whereas the remaining 35–40% was caused by other factors, the so-called “housing bubble”.

Figure 8. Four-month evolution of employed and unemployed workers in the construction industry and the percentage of unemployed workers in this sector compared with total unemployment: 1990–2009. Source: Data from the INE's Survey of the Active Population.



During upturns, housing prices are set as the most a family can afford given existing credit conditions and average income. In this situation, it is the increase in housing prices which is deducted when land is sold [30]. Until 2001, the main reason for purchasing a home was to use it. From that time on, purchasing's new role was as an investment, both as patrimonial property and for speculative reasons. In other words, rather than depending on production costs, housing prices in the market depended on expectations of them, as compared with the alternative return of money and other forms of property [25]. As in the functioning of any speculative bubble, houses are bought because prices are expected to rise and prices rise because there are more and more purchases increasingly financed by loans [26]. Thus, the main cause of this increase was not a shortage in the housing supply because, as we can see in the figure attached, the more residential construction grew, the higher the average price of residential housing was, in response to an increased demand fundamentally based on speculative investment. There are different reasons behind this phenomenon: the conversion of housing into a shelter for assets, falling interest rates and easy financing conditions provided by banks and savings banks for purchasing second homes, the expectation of obtaining quick, abundant capital gains from the sales of these assets, rising income per capita, population growth and the rising immigration rate, higher employment rates, *etc.* These ideas toppled one of the very common stereotypes in all stages of real estate expansion, which was heavily underscored by national land regulations passed in this period: the cause of rising housing prices was due to the rising cost of land, which in turn, was a result of its scarcity; the solution to this was to increase the amount of land classified for development. Studies conducted in other countries confirm this lack of correlation between restrictive land use regulations and rising housing prices [31] (Figure 9).

Figure 9. Four-month evolution of the total number of housing starts (approvals from the technical architect associations) and average housing prices (€/m²): 1995–2009. Source: Data from statistics of INE and Ministry of Public Works and Transport.



In short, the real estate boom in Spain reached an unprecedented intensity and duration and also triggered an unprecedented economic crisis [26]. The residential subsector, which had become the most important throughout the expansion phase, is suffering the most from the economic crisis. Thus, this is an appropriate time to plan public urban policies that are different from those promoted in recent decades and which support housing as an asset for use and not as an investment asset. This is true not only because of the slump in population growth or excess real estate property (according to data from the Ministry of Housing, December 31, 2008, the private housing stock reached the figure of 613,512 units), but also because social conditions encourage the implementation of measures in this sense. Some of the most prominent of these conditions are the role of civic movements opposed to territorial destruction and real estate speculation, the numerous corruption scandals in urban planning, and the proven failure of a “brick”-based economic policy planned for the short-term without heeding the consequences.

4.2. The Impacts: Development of Artificial Land and Urban Sprawl

Land is a factor in, and a result of, socio-economic processes. The expansive economic cycle over the past decade was accompanied by significant changes in land use. The residential-infrastructure building tandem led to an indiscriminate use of land and an increase in artificial surfaces. The consequences are virtually irreversible. According to the Corine Land Cover data from 2000, artificial surfaces (urban and other artificial surfaces) in Spain accounted for 2.1% of the total, 29.24% more than ten years earlier. This equalled an area equivalent to almost one third of what had been urbanized throughout history [32], placing Spain, along with Ireland and Portugal, at the head of the list of

European countries with the highest growth in artificial surfaces [32] at a pace of 1.9% annually, a figure well above the average for the countries in the CLC2000 programme, which was 0.68% [4,33].

Based on the Corine Land Cover data, using the information contained in the Atlas of Urban Areas in Spain is a good instrument for analysing these territorial changes. Our work is based on four maps that are illustrative of the processes under study. The variation in artificial land by municipality from 1990–2000 reflects a significant increase in this surface in three zones (Figure 11). First, in the territories with the greatest real estate booms, primarily the entire Mediterranean coast from Castellón to Huelva, including the Balearic Islands, and most notably in Alicante and Murcia, where almost all the municipalities are included in the group with the highest increases in land artificiality levels (+145%). The tourist areas in the Mediterranean and the islands (the Canaries and the Balearics) have suffered like few others from the real estate excesses of second homes and housing construction as an investment and speculative asset. Secondly, the growth in artificial land in Madrid and its metropolitan area stands out. In absolute values, Madrid has lost as much agricultural land as artificial land has been created. The metropolitan areas in southern, southeast and northeast Madrid are the areas where urban sprawl has spread the most. Also indicative of the changes this region is experiencing is that the fastest growing areas are those earmarked for open urbanization (free-standing homes and/or those with gardens) (17%) and industrial and commercial areas (15%) (Figure 10). Third, there are a number of municipalities in the interior of mainland Spain where artificial land has grown at a fast pace; these municipalities spread out from Madrid in different directions on linear axes. These developmental axes in different categories have been created and extend parallel to high density roads and have driven not only major real estate developments, but commercial, leisure and industrial ones as well. We are witnessing the spread of urbanization over old rural zones that previously lay far from the most densely populated cities and whose landscapes and functionalities have been radically transformed by improved accessibility.

Figure 10. A critical view of over-construction: *Rain in the mountains of Madrid*. (Reproduced with permission from “El Roto”, published by “El País”, 16 July 2006).



The intense development of artificial coastal land is particularly acute, especially within the first kilometer from the shore. According to the Corine Land Cover data from 2000, the percentage of

artificial surfaces within this first kilometer was more than 20% in Catalonia, Valencia, Murcia and Andalusia. The urban occupation of the beachfront led to the spread of urbanization towards pre-littoral stretches (between 1 and 10 km from the coast). Although the process is less intense, the artificial land in pre-littoral stretches in the province of Barcelona reached 30.9% in 2000 (27.5% in 1990), 18.6% in Alicante (1990: 12.2 %) and 17% in Valencia (1990: 13.1%). There are many factors that influence this urbanising dynamic, yet an important one is the impact of tourism—fundamentally the residential tourism characteristic of the post-Fordist period.

The attractions of the scenery, weather, and of course, speculation and investments, made the zones under construction coincide with the most artificialized territories. This is a situation that portends a negative outcome in the Corine Land Cover's upcoming results for these regions. The territorial and urban planning instruments in Madrid, Murcia, and Valencia grant a relevant role to land classified for development, provide facilities for construction on land not classified for development, and approve developmentalist sectoral plans—especially those related to tourism and road infrastructures. The aforementioned conditions involve constant conflicts between the real estate sector and land, and between tourism and the environment (Figure 12).

The third map represents the percentage of free-standing developments or those with gardens, or both. This is a suburbanization process dominated by a loose, disperse, low-density growth pattern. Once again, the Mediterranean regions, Andalusia and Madrid, places with the most second homes (Figure 13), are the areas where this model is most frequent. These areas account for 15.97% of the total Spanish housing stock, according to the 2001 Population and Housing Census. The ratio per 100 inhabitants rose from 6.86% in 1991 to 8.14% in 2001. In several experts' opinions, the main cause of this positive evolution is the increase in per capita income and the improvement of the quality of life in Spain [34]. Other authors prefer to focus on the compensation hypothesis [35], whereby the importance of second homes is explained by the high density of the urban habitat, due to the relative lack of leisure opportunities this latter model involves [36]. However, we are more closely aligned with Artigues and Rullan's idea [25], which associates it with its merchandise-stock nature. Thus, the objective of housing construction is to prioritize the real estate and construction investment-business, as opposed to the right to housing. This explains the importance of second homes, especially in coastal tourist areas and in spaces close to big cities and urban agglomerations (Figure 14).

From the point of view of urban areas, the development of artificial land differs by macro-region according to the size of urban agglomerations. The first conclusion is that the relative growth of artificial spaces was much higher than the percentage of population growth between 1990 and 2000. By macro-region, growth in the Center stood out, because of the expansion of Madrid's urban area (49.38%), as well as in the rest of this territory (34.84%). This may have been due to the combined action of two main processes: the extension of Madrid's metropolitanization process over other small-sized urban areas located relatively close to the capital and the rising intra-regional inequalities in the regions on the Spanish plateau. Urban nuclei concentrated population, economic activity and infrastructure in these inland regions on the Spanish peninsula were characterized by depopulation, aging and the demographic crisis of rural areas. The urban areas in the East and South had growth rates of around 25%. The East macro-region was the most populous and home to two of the main developmental axes in Spain (the Ebro and the Mediterranean). These territories experienced high growth in artificial land, especially in coastal, tourism-based municipalities (Figure 15), with the

exception of Catalonia, which seemed to have entered a period of a certain containment of urbanization and urban sprawl in the light of municipal maps and as confirmed by specific studies [37].

Figure 11. Variation in artificial land between 1990 and 2000 by municipalities. Source: Ministerio de Vivienda *Atlas digital de las áreas urbanas de España* [17].

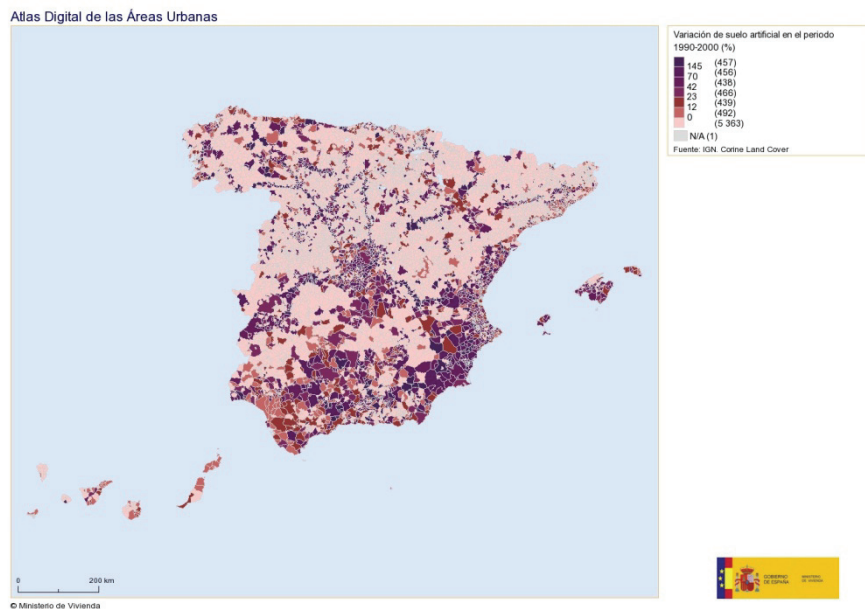


Figure 12. Percentage of zones under construction compared with total artificial land by municipality in 2000. Source: Ministerio de Vivienda *Atlas digital de las áreas urbanas de España* [17].

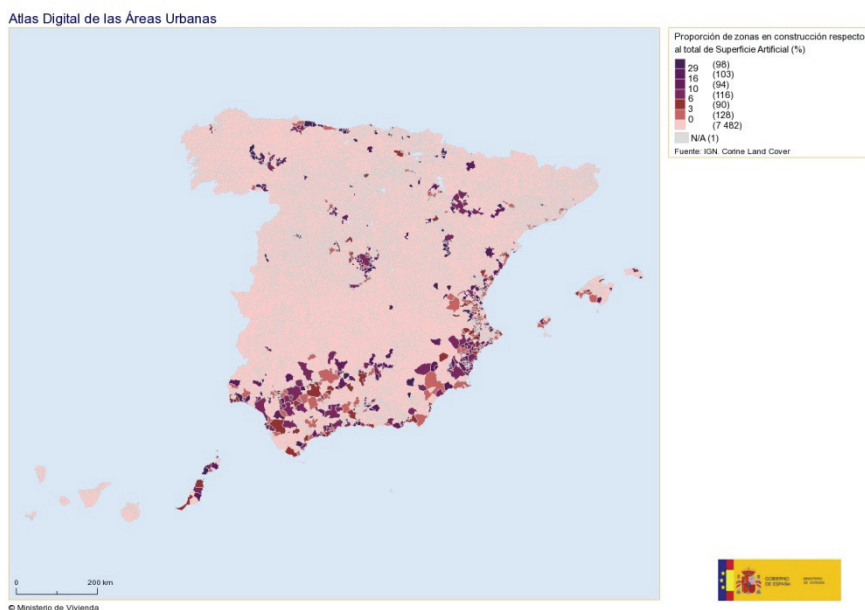


Figure 13. Percentage of free-standing developments and/or those with gardens with respect to artificial surface by municipality in 2000. Source: Ministerio de Vivienda *Atlas digital de las áreas urbanas de España* [17].

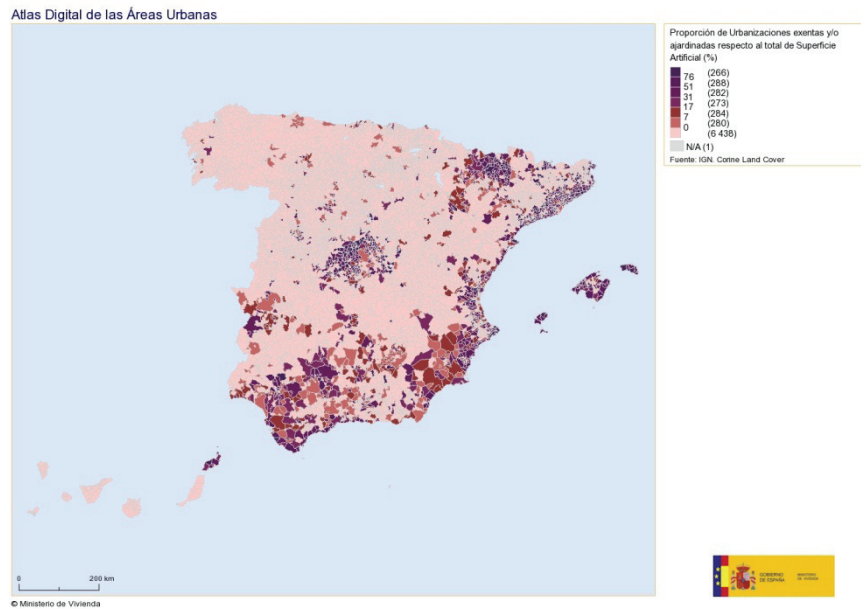


Figure 14. Density of second homes (houses/km²) by municipality in 2000. Source: Ministerio de Vivienda *Atlas digital de las áreas urbanas de España* [17].

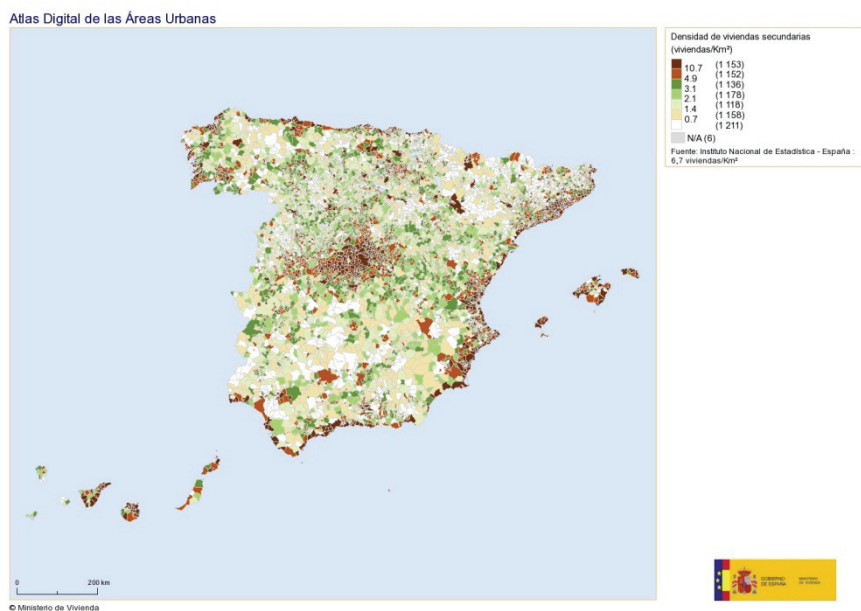
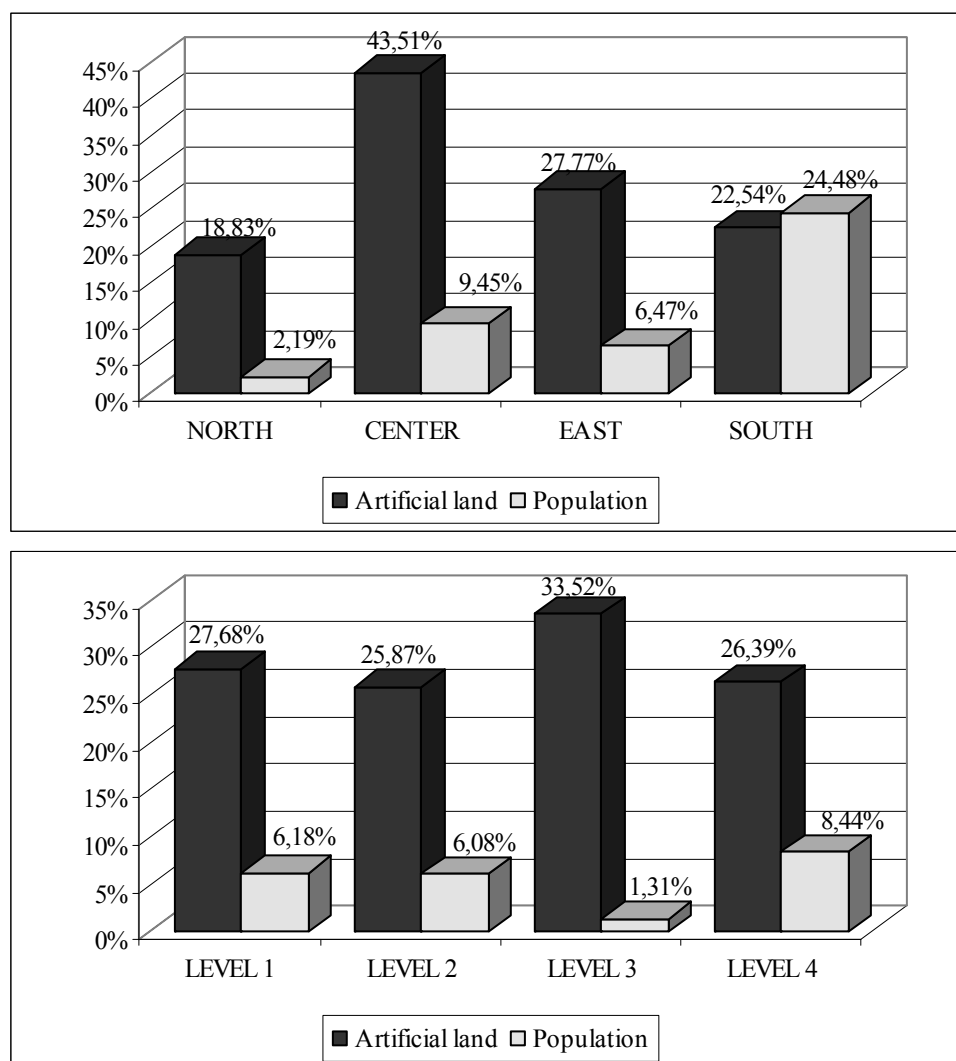


Figure 15. Percentage of growth in artificial land surface (1990–2000) and population (1991–2001) in urban areas by macro-region and urban level. Source: Data from Ministerio de Vivienda *Atlas digital de las áreas urbanas de España* [17] and INE.



Lastly, the analysis by urban size leads to some interesting conclusions. The small urban areas in Level 3 (100,000–249,000 inhabitants) experienced the highest growth in artificial surface and paradoxically, the least growth in population. This may have been due to the spread of low-density cities, even in small and medium cities. Level 3 consists of a heterogeneous group of cities. However, there was a high representation of urban areas on the Mediterranean and Canary coasts that have been developed on the basis of specialising in tourism (Costa Blanca, Costa del Sol, Gran Canaria Sur, Tenerife Sur, Gandía, Torrevieja, Denia-Jávea, and Valle de la Orotava).

Although residential production has already been discussed in the previous section, we conclude this section with an analysis of housing prices by region. This is better suited to the current section because of its relationship with the urbanization process and with the changes in land use. It is not possible to draw a comprehensive map of land prices at the municipal level because many Spanish municipalities do not have official data. However, on the basis of regional and provincial statistics, we conclude that the highest spike in housing prices occurred in the regions with the highest percentage of

artificial surfaces and the highest increase in residential housing stock, with the exception of the Basque Country. All these facts corroborate the importance of land's speculative value during the "Spanish economic miracle".

To reach this conclusion, we drew up a table with the prices of total private homes (€/m²) on three important dates: the first quarter of 1995 (immediately preceding the onset of the housing bubble), the first quarter of 2008 (when housing prices were highest in Spain) and the fourth quarter of 2009 (the latest data, from when the bubble collapsed and prices slumped.) By 2008, all the regions surpassed the average of 1,000 €/m², whereas only Madrid had reached this figure in 1995. Between 1995 and 2008, there was a shift in the highest prices from the northern regions (the Basque Country, Cantabria)—urban network spaces with a dense and complex industrial origin—towards the Mediterranean, currently the main axis of development in Spain with a diversified economy and important levels of tourism. The highest relative increases between these dates took place precisely in the Mediterranean regions—those regions that specialized in tourism and which have the fastest growth in artificial surface along with very dynamic real estate sectors—primarily the Balearic Islands, Murcia, Valencia and Andalusia. From 2008 on, the slump in prices has been notable across all regions. However, this still has not offset the rising prices of the residential boom, as can be seen in the percentage of variation in prices between early 1995 and late 2009 (Table 3).

Table 3. Evolution in the price of private homes (€/m²) and variation of artificial land by region.

	1st quarter 1995 (A)	1st quarter 2008 (B)	4th quarter 2009 (C)	% variation A/B	% variation B/C	% variation A/C	% artificial land (1990– 2000)
Andalusia	513.4	1,800.2	1,613.8	250.64	−10.35	214.33	28.33
C. of Valencia	479.2	1,684.6	1,505.7	251.54	−10.61	214.21	52.13
Extremadura	394.7	1,027.0	1,001.9	160.19	−2.44	153.83	28.36
Galicia	584.5	1,571.7	1,467.8	168.89	−6.61	151.12	20.14
Madrid	1,078.4	3,004.8	2,620.0	178.63	−12.80	142.95	46.86
Murcia	425.9	1,614.3	1,351.1	279.03	−16.30	217.23	62.77
Navarre	722.8	1,751.9	1,623.3	142.37	−7.34	124.58	46.33
The Basque Country	926.5	3,035.8	2,738.0	227.66	−9.80	195.52	13.03
Rioja	588.6	1,644.2	1,532.3	179.34	−6.80	160.32	13.20
Ceuta	-	1,669.0	1,855.0	-	11.14	-	0.00
Melilla	-	1,669.0	1,570.6	-	−.89	-	19.92
Aragon	573.6	1,962.9	1,726.4	242.20	−12.04	200.97	20.69
Asturias	657.9	1,775.9	1,600.7	169.93	−9.86	143.30	25.25
Balearic Islands	586.0	2,408.1	2,125.8	310.93	−11.72	262.76	35.62
Canary Islands	572.4	1,833.3	1,613.5	220.28	−11.98	181.88	8.41
Cantabria	750.0	2,035.6	1,798.7	171.41	−11.63	139.82	22.48
Castile-La Mancha	505.3	1,447.5	1,238.6	186.46	−14.43	145.12	32.31
Castile-Leon	616.9	1,522.5	1,388.6	146.79	−8.79	125.09	32.31
Catalonia	735.0	2,457.6	2,286.0	234.36	−6.98	211.02	12.55

Source: Data from statistics of Ministry of Public Works and Transport and IGN Corine Land Cover.

In short, the real estate sector was at the center of the debate during the stage of robust economic growth, to the point where it produced a housing bubble. The housing sector is oversized and the model is exhausted. The effects of the speculative bubble have shown it to be clearly unsustainable with irreversible consequences for the entire territory in general and for the ever-growing, less dense, and predictably more segregated urban areas in particular. Reconversion is needed along with urban return; the compact city and rehabilitation are opportunities within the current context of the economic crisis.

5. Real Estate Crisis, Urban Return Policies and Rehabilitation

There have been three major housing bubbles in Spain's history during the past half century: 1969–1974, 1986–1992 and 1998–2006. Although with specific features, the three appeared within political and economic settings favorable to housing construction as a speculative investment: the Spanish developmentalism of the 1960s; the entry into the European Economic Community in 1986, the Economic and Monetary Union and the adoption of the euro as the common currency in 1999. And all three bubbles had the same consequences: housing oversupply, a pronounced foreign deficit, soaring housing prices, and their subsequent fall. The territory is one of the big losers of excess construction, but so is society itself. A series of urban planning laws ensured housing construction at paces well above population growth. However, although it may seem contradictory, this did not resolve the population's access to housing.

In the early 1980s, while cities began to expand over the territory, urban return policies were implemented. Within the context of the current economic and real estate crisis, we may be entering a new phase of greater intervention in the consolidated city, as opposed to the construction of the new city. "The government trusts in rehabilitation and renting to overcome the crash" (El País, 9/12/2009) and "Housing is indeed falling in value" (El País, 11/12/2009) are examples of the many news articles that reflect the expected changes in economic and political attitudes.

5.1. Changes in State Land Legislation: 1996–2008

During the first two housing bubbles, residential construction was stimulated by urban legislation that had been passed ten years prior to them (the land laws of 1956 and 1975–1976), and concluded with a reform aimed to correct the excesses produced during the speculative-residential boom, among other goals. The latest boom was not supported by old legislation—quite the contrary. During the gestation process and each year of the housing bubble, decrees and laws were approved that ultimately aimed to drive housing construction under a decidedly neoliberal legislative paradigm [38]. Coinciding with the change to the Socialist government in Spain, several changes were effected during the speculative boom's final years that concluded with a new "remedial" law in 2007–2008.

Although the State retains a number of powers (property rights, eminent domain, land value), regional governments hold the powers of land use, urban planning and housing. After the People's Party came to power (1996), a land liberalization policy was the central theme. The first decree-law approved by the new executive was precisely intended to liberalize land: *Royal Decree Law 5/1996 of 7 July on liberalising land measures and professional associations*, which, processed as a bill, resulted in *Law 7/1997 of April 14 on liberalising land measures and professional associations*. These

regulations' main objective was to reduce land prices by increasing supply. A year later, *Law 6/1998 of April 13 on the reform of the land and valuations regime* was approved. Most of the new provisions were intended to make increasing land supply easier and de-program its urbanization process. The method used was to define land suitable for development as residual: land had previously been classified for development as needed and now had a residual status, after non-developable land with objective preservation values was protected [39]. This involved a commitment to a clearly developmentalist model that considered the value of land not as a natural resource, but rather as an economic resource and more specifically, as a patrimonial asset. This liberalising and deregulating land market policy continued with the approval of *Royal Decree-Law 4/2000 of June 23 on urgent liberalization measures in the real estate and transport sectors*. The term "housing" did not appear even once in the 1998 law. The decree of 2000 viewed the rising price of housing as a serious problem. Yet, the solutions it proposed followed the same direction, arguing the need to correct market rigidities and increase land supply by eliminating the legislative provisions that might limit it through their lack of flexibility.

A decade after its approval, the application of these laws was uneven and the results far from desirable. However, according to data from the Ministry of Housing, 2,224 Spanish municipalities approved or revised their master plans between 1998 and 2006 in accordance with these regulations. And many regional laws plunged into this attribution of a residual nature granted to land classified for development [38]. Particularly relevant was the emergence of the figures of building agents, rehabilitators, and fundamentally, property developers. The last is an example of the ideology that framed the urban policy of these years. In this system of action, a private person in an indirect management regime implements the action in accordance with the program. Property developers operate as entrepreneurs whose business consists of running the program and obtaining its profit as a result of the difference in the value between undeveloped land and the plots his action produces. However, as a new feature, the developer is not the land's owner, which prevents him from obtaining these capital gains. Therefore, this system defines the boundaries between owning land and the power to transform it. Entrusting urban planning management to a private company opens up the debate over the public nature of urban planning that is derived from this system's application. In 1994, urban planning legislation in the region of Valencia established this system as the only possible way to develop and implement land classified for development; Castile-La Mancha followed suit in 1998. Other regional governments (Andalusia, Asturias, Extremadura, Cantabria, Navarre, the Basque Country, and Castile-Leon) viewed it as just another system without an exclusive nature. The Community of Valencia, where this system appeared and was imposed as the only possible system, was one of the regions in which artificial soil, residential production, and housing prices rose the most during the period under study.

As the first decade of the 21st century progressed, evidence surfaced on the housing bubble's expected collapse. From 2004 on, the new Socialist government introduced several changes to address the unsustainable rise in housing prices by acting on supply, *i.e.*, increasing the construction of public housing. The results were barely noticeable, among other reasons because, as we have seen, the problem of prices lay mainly in demand. Meanwhile, the housing bubble continued to balloon.

Coinciding with the housing bubble's collapse, the central government repealed the previous, markedly neoliberal legislation by approving *Law 8/2007 of 28 May on land (Consolidated*

Text 2/2008). Although State powers in this area were limited and the success of several of the measures adopted were doubtful, this law has introduced fundamental conceptual changes.

The first new features have affected the theoretical foundations of the law. The law's extensive preamble notes that urban planning must meet sustainable development requirements, minimize the impact of growth, and support the existing city's regeneration. The law takes a forceful stand against urban sprawl and advocates the compact city model. Unlike the preceding legislation, it opposes increases in land classified for development, and opts for a system that acts on the process of transforming land into this category. In this change of attitude lies the new value granted to land, not only as an economic resource, but above all as a natural, scarce, and non-renewable resource. Thus, although land classification remains in the hands of regional legislation, land classified for development cannot be residual by nature.

Housing market imbalances played an important role in the reasoning behind the Law of 2007–2008. On the one hand, the law guarantees the right to enjoy adequate housing, if not access to it. The law accomplishes this mainly by increasing the supply of public housing. To do so, it ensures a minimum reserve of 30% of all housing envisaged by urban land planning for inclusion in urbanization measures for public housing schemes. It also expands the regions' share of urban capital gains, which generally involve a transfer of a percentage between 5% and 15% to the Administration, although in certain cases, this figure may reach 20%. On the other hand, the spirit of the law is based on land valuations in accordance with status at the time of valuation and excludes the speculative expectations associated with it from valuation [40].

Related to this last aspect is one of the most significant measures: the decoupling of land classification and valuation. The legislature argued that land classification has historically helped inflate land values by incorporating revaluation expectations long before the transactions needed to materialize the public powers' urban development determinations, thus also promoting speculative practices. Therefore, to prevent speculation, the legislation decouples classification from valuation and excludes from valuation the speculative expectations associated with it. What exists should be valued, not the value a plan says it may have in an uncertain future. Consequently, and regardless of the land categories each region can regulate, this law starts out from two basic scenarios assessed according to their nature at the time of valuation (and not according to expectations derived from building rights and uses): rural land (land not functionally integrated into the urban fabric) and land suitable for development (land that has been effectively and properly transformed by urbanization). Thus, before, use was the deciding factor and now status is. The value of land is no longer speculative, but instead is real—in other words; value depends on land's real status. Presumably, this measure may reduce the possibilities of corporate financing by underwriting with land they have, which should slow the growth of urbanization [41]. However, we shall have to wait for the application of this regulation. The owners of land planned for development (*i.e.*, terrains about to be urbanized by a Partial Plan) would have to assess them according to the new law as of July 1, 2010. However, the government has granted a three-year period before land must be valued according to the new regulation. This confirms the grimness of the housing crisis and strong pressure from sector entrepreneurs.

In short, the announced change in trend is important. As opposed to previous neo-liberal practices, the 2007–2008 law, with its notably social-democratic nature, reinforces public responsibility in territorial and urban planning. One of its aspects, *e.g.*, is that it prohibits free competition in planning

and allows property developers to operate exclusively during the urban planning management stage, and not in the planning or regulatory stage [42]. Furthermore, it seems that there is a definitive meeting point between land and housing policies. However, most of these measures have not been conceived for the existing city, but rather as projections of future urban developments: future public housing, future urbanization, future rentals, *etc.*, [41] and application moratoriums have been granted, such as the one related to land valuations that favors entrepreneurs and, which distort the law. Intervention on the existing stock does not seem to be a priority objective. Combined measures to stimulate the rental system by levying taxes on vacant dwellings or even expropriating the rights of use to them, as has been considered in Catalonia, are nowhere to be seen in the State urban planning panorama.

5.2. Economic Recovery and Urban Rehabilitation Policies

The Land Law of 2007 introduced certain major measures intended to combat excess urbanization and urban planning speculation, and to control land and housing prices, among others. Nevertheless, as has been true so often during Spain's recent history, these goals clash with economic policies, especially in times of crisis, such as the present. This has led contradictions to emerge: the construction sector is blamed for the current economic crisis and territorial destruction while mechanisms are generated for its revitalization; we lament the increased development of artificial land and evolution towards sprawling urban models and make infrastructure construction a priority objective of government policy; we criticize the strong economic dependence shown to the residential construction sector and removed the capital gains tax in 2008; we pass a law with important determinations such as the one related to land valuations and right away delay its application to support sector businesses. In short, it seems that the economy continues to run other policies. Territorial, urban planning and environmental policies function as correctors of economic strategies.

Since the start of the economic crisis in Spain, the government has defended the need to change the production model and argues that residential construction cannot continue to lead the Spanish economy. The so-called "Plan E" (Spanish Plan to Stimulate the Economy and Employment), funded by the public deficit, was passed in early 2009 to address the general situation. It has four strands: measures to support businesses and families; measures to promote employment; financial and budgetary measures; and measures to modernize the economy. Chief among these are measures intended to generate employment in municipal public works. The amount of investment is considerable—11,000 million euros—as is the number of jobs directly derived—approximately 300,000. This has been assessed as the government's main economic measure for combating the crisis and unemployment. Without going into a detailed evaluation and regardless of the electoralist intentions that can be divined in many cases, the measure provides substantial support for construction firms in serious crisis after residential construction's collapse. However, the central government says that structural changes come from the hand of the Sustainable Economy Law (2010), which makes rehabilitation and rental policies the key to overcoming the economic crisis. Since its earliest considerations, this law has been criticized by ecologist organizations and the political parties of the opposition. Disperse objectives and few concrete ones, contradictory and hardly sustainable measures are some of the assessments that have been levelled against it. For example, to stimulate economic growth, the law is firmly committed to promoting elements as unsustainable as the construction of

infrastructures and the globalization of the Spanish economy. And once again there are contradictions: the executive recognizes the role of the real estate sector in Spain's negative economic situation, yet again relies on "bricks" as a key activity for the future. However, now there is one difference: the existing city could be the main beneficiary.

On the one hand, this law drives the rental system, yet fundamentally reduces the tax benefits involved in ownership. The *Sociedad Pública de Alquiler* (Public Rental Corporation) was constituted in order to encourage rentals in May 2005. In Spain, this type of occupancy represented a mere 13.18% of the market in 2008. The Sustainable Economy Law improves deductions for renting a first home and matches them with the deduction for purchasing homes. Linked to this, the tax deduction for purchasing homes was limited, thus eliminating the related tax incentives that in part, led to the boom a few years ago. In addition, when a first home is purchased after a deduction was taken for the purchase of other, earlier first houses, no deduction can be taken for purchasing or rehabilitating the new home, whenever the amounts invested therein do not exceed the investment in earlier homes, to the extent that they would have been deducted.

Moreover, in the realm of rehabilitation, the Ministry of Housing has launched an extraordinary program: the *Plan Renove de Rehabilitación de Viviendas* (Housing Rehabilitation Plan), a new indication of changing trends, despite its negligible budget of 110 million euros. In this case, priority is given to works that have plans to start as soon as possible and create the most jobs. However, the definitive stimulus for rehabilitation should come from the Sustainable Economy Law, an entire chapter of which is dedicated to rehabilitation and housing. Prominent is the authority granted to the Administration to regulate improvement works in cases in which a building is affected by a rehabilitation program and the reduced taxes on rehabilitation activities, through both deductions as well as a reduced VAT of 7%.

In short, urban policies during the years of crisis have oscillated between sharp criticism of the real estate and construction sectors' behavior and the notion of recovering sectors that create many jobs and, which generate a good deal of economic activity. While we have noted its positive aspects, we do not have enough data to evaluate the Sustainable Economy Law's consequences in the two areas under study. Nevertheless, while awaiting its application, we believe the Law contains a major defect in its rehabilitation proposals: the scale of the main measure seems to be buildings or homes and not neighborhoods, the main realm for implementing integral, sustainable measures. At this scale and under the customary denomination of the Neighborhoods Law, other regions such as Catalonia (2004) and the Balearic Islands (2009) are seeking the integral rehabilitation of degraded urban areas.

5.3. *New Territories and Renovated Urban Rehabilitation Paradigms*

As the final part of this study, we present a brief analysis of the changes in urban regeneration policies in Spain based on a plan on which we are working on within the city of Palma. The new features related to the objectives and methodologies it contains may ultimately mean a new rehabilitation paradigm that, if managed properly, will be a good fit for future urban return strategies.

Urban rehabilitation in Spain originated in the early 1980's and took place in conjunction with the revision of the first democratic town councils' master plans, supported by a specific plan for this purpose (Special Plan) [27]. In those early years, these plans' ideology and goals were strongly

influenced by the Bologna rehabilitation model promoted by Pier L. Cervellati and directed by Aldo Rossi (La Tendenza). The rehabilitation planned by the so-called “leftist town planners” [19] was almost exclusively limited to historic centers and prioritized social objectives, especially those related to resettlement policies. As the 1980s progressed, and particularly in the 1990s, the role of economic goals, above all those related to urban tourism and strategic projects, expanded in the special plans. At the same time, there was a certain impoverishment of content, to the point that at times they seemed to be more like a series of authentic public works projects than true integral plans [19]. During this evolution, other action areas, such as the peripheral neighborhoods of the 1960s, the nineteenth-century expansions, and the Fordist tourist sites of the 1960s, were gradually incorporated.

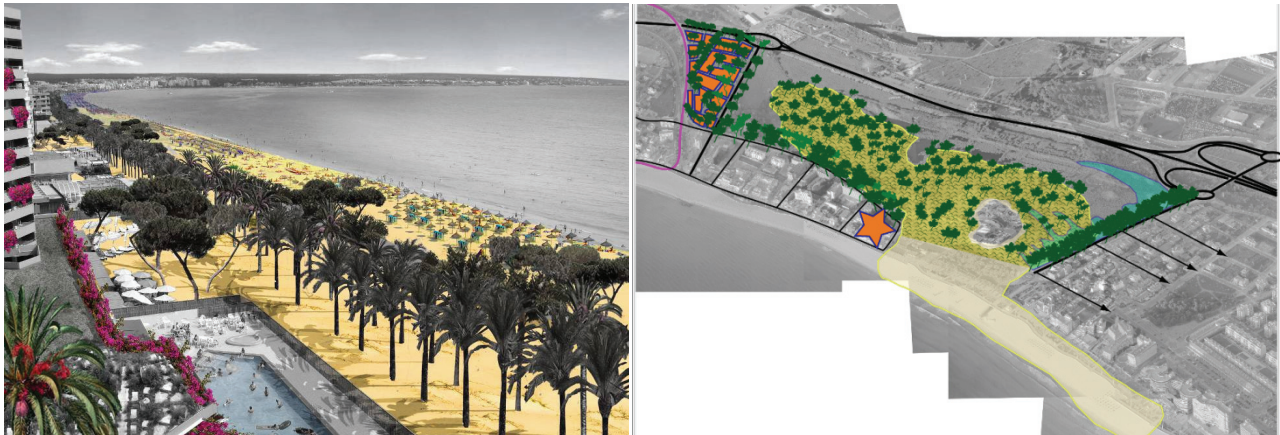
This is the context of the Platja de Palma Integral Restructuring Plan, which places environmental and sustainability goals at least at the same level as purely economic and social objectives.

Platja de Palma is an intensive tourist enclave produced by the first tourist boom in the Balearic Islands (1955–1973) along a 6-km-long stretch of beach; it belongs jointly to the municipalities of Palma and Lluçmajor. The current hotel stock’s 46,250 tourist beds are mostly old (72.09% date from before 1970) and belong to mid-range and low categories (65% have 3 stars); half of them are closed six months a year (highly tourist seasonality). The resident population amounts to 29,282 inhabitants and a total of 46.53% of the houses are second homes or are empty. This territory, which would take in the population of an average city, receives about 1.8 million tourists each year.

The intense tourist pressure on a territory that has been overexploited for more than five decades has led to the tourism sector’s decline and the degradation of the urban space. Some of the many territorial imbalances include excess constructed area, high population density, poor quality buildings, and poor image of the public space. The concentration of tourism and investment on the beachfront contrasts poorly with the abandonment of the rear facades of buildings in the second or third rows. Additionally, there is poor urban planning quality and severe social problems related to the lack of safety and environmental degradation. Many other problems exist as well. All this is joined by common behavior in these enclaves: the significant growth rates projected by municipal master plans. In this case, plans include significant growth in the number of houses (+74%), population (+46%), and tourist beds (+568%). If these proposals were carried out, the gross residential density would rise by 74% and gross buildable surface area by 110%.

The Platja de Palma Integral Restructuring Plan is being promoted by the Spanish Horizon 2020 Tourism Plan (which promotes other experiences in the south of Gran Canaria and the Costa del Sol) and is intended to serve as a laboratory of reference and highlight the demonstrative effect of its measures for other degraded coastal tourist regions in Spain. The restructuring plan has an integral focus, yet its content is typical of strategic planning. Thus, it uses methodologies from regional, urban planning and strategic plans.

Figure 16. WEST8 proposals for recovering a natural space and regenerating the beach. (Reproduced with permission from “Informes técnicos de las bases para la revalorización integral de la Platja de Palma”, published by “Consorci Platja de Palma”, 2009) [43].



Hence, this plan has been created to achieve the integral revitalization of a declining, mature tourist site on the basis of an organization without urban growth. This is one of the plan’s most interesting aspects. The project encompasses 992 hectares, and although the project is understood as a process, revitalization must be evident with integral requirements in 2020–2030. Sustainability is the guiding principle underpinning all its measures. The proposed plan has five major goals: a zero increase in the resident population, a 50% drop in hotel capacity, a zero balance of CO₂ emissions in 2050, an energy balance based on 100% renewable energy, and zero landfill waste (Figure 16).

We believe this brief presentation serves to verify the plan’s vitality and the many possibilities concealed beneath urban renewal. In this case, sustainable rehabilitation is the main strategy for the sector’s restructuring. As for the demolition option, the Platja de Palma Consortium has estimated that rehabilitation will cut monetary costs by 2.8 billion euros and the environmental load related to materials and work by 50–60%. The plan’s final approval is expected to take place in May 2010 and then the document will have a regulatory character in the form of urban planning. Its goals are ambitious, as is the investment: €3,962,927,915.

6. Conclusions

Rising wealth has partially been paid for through growing incorporations of land and social fragmentation. The dematerialization that hypothetically should characterize post-industrial societies is not taking place [22]. Not only that, the process being followed is exactly the opposite: land use has increased during the post-Fordist period and energy consumption is growing indiscriminately [44].

The city’s spread over the territory is creating polycentric urban structures, predominantly in the form of loose, discontinuous urban development far removed from the compact urban patterns typical of traditional Spanish cities. This process started in Spain’s major cities in the 1980s, yet it reached its peak and extended to small and medium-sized cities in the early 1990s. The real estate boom and its impacts on tourist areas and peri-urban fringes fuelled this phenomenon.

Criticisms of suburbanization have become widespread to the point of becoming one of the main arguments underlying urban planning in recent years [45]. In view of this, there are at least three

options for action: extinction, containment and structuring. The first is complex due to the impossibility of going back to pre-existing situations. The second—containing growth—is possible on the basis of legislation and territorial planning. The third is intended as a corrective measure: urban return policy. In this respect, Barba and Mercadé [46] proposed the articulation of a territorial mobility network, the polarization and centralization of territorial sprawl, and action based on the natural environment.

The dynamics that have fed territorial and socio-economic processes are causing the destruction of the territory [32]. The period of economic growth from 1996 to 2007 led to a major environmental and territorial crisis. Urban-metropolitan sprawl was revived by the new financial and speculative dynamics. After 1996, the Spanish economic boom relied on the real estate and construction sectors to the point of creating a dependent relationship. This dependency is so strong that today, it is hard to extricate the real estate and construction sectors from the Spanish economy. These activities' weight has had negative consequences in both territorial terms (increased development of artificial land, housing boom, urban sprawl) as well as social terms (lack of access to housing, real estate bubble, job dependence, and influence on rising unemployment rates). Territorial policy and more specifically, State land legislation, was the perfect accomplice to economic policy, since it laid the basis for this developmentalist strategy: an increased supply of land classified for development and little protection for non-developable land.

The housing bubble's collapse is having several positive effects on the territory, especially with respect to the shrinking real estate market and falling housing prices. Yet, this may only be a mirage. The real estate industry may be hoping for the crisis to pass to start their particular and threatening resurrection. Today, most municipalities continue with master plans approved during the years of the real estate boom and are therefore ready for the change in the economic cycle. Municipalities continue to believe in inventing new ways to turn their greatest asset—land—into resources. This leads us to believe that when the crisis has been overcome, we will go back to the same strategy: golf courses, yacht clubs, tourist resorts and large-scale cultural containers to promote cities through strategic planning initiatives, *etc.*

Progress is being made in State legislation to change the discourse, yet not enough headway has been achieved on drafting effective policies, including economic ones. At any rate, the State's ability to act is hampered by the fact that most powers in territorial, housing, and urban planning are in regional government hands. Urban planning and land use are still regarded as instruments to correct economic policy in many regional plans; in others, sustainability is marked as a generic objective, e.g., the Catalan urban planning law of 2002 (now amended) was proposed as a tool for achieving the configuration of land use models that avoid sprawl in the territory.

In short, we believe now is the right time to go back to “building the city”. The foundations have been laid to begin reversing the behaviour seen in recent decades—urban regeneration, territorial protection, sustainability, social cohesion and public housing policy can serve as a frame of reference for a new urban-territorial model born of the crisis. We are probably committing the sin of being overly optimistic, yet at a minimum, it is necessary to enhance the debate in the midst of a severe economic crisis that, to a large degree, is taking so long to overcome because of the excessive prominence bestowed upon the construction sector.

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