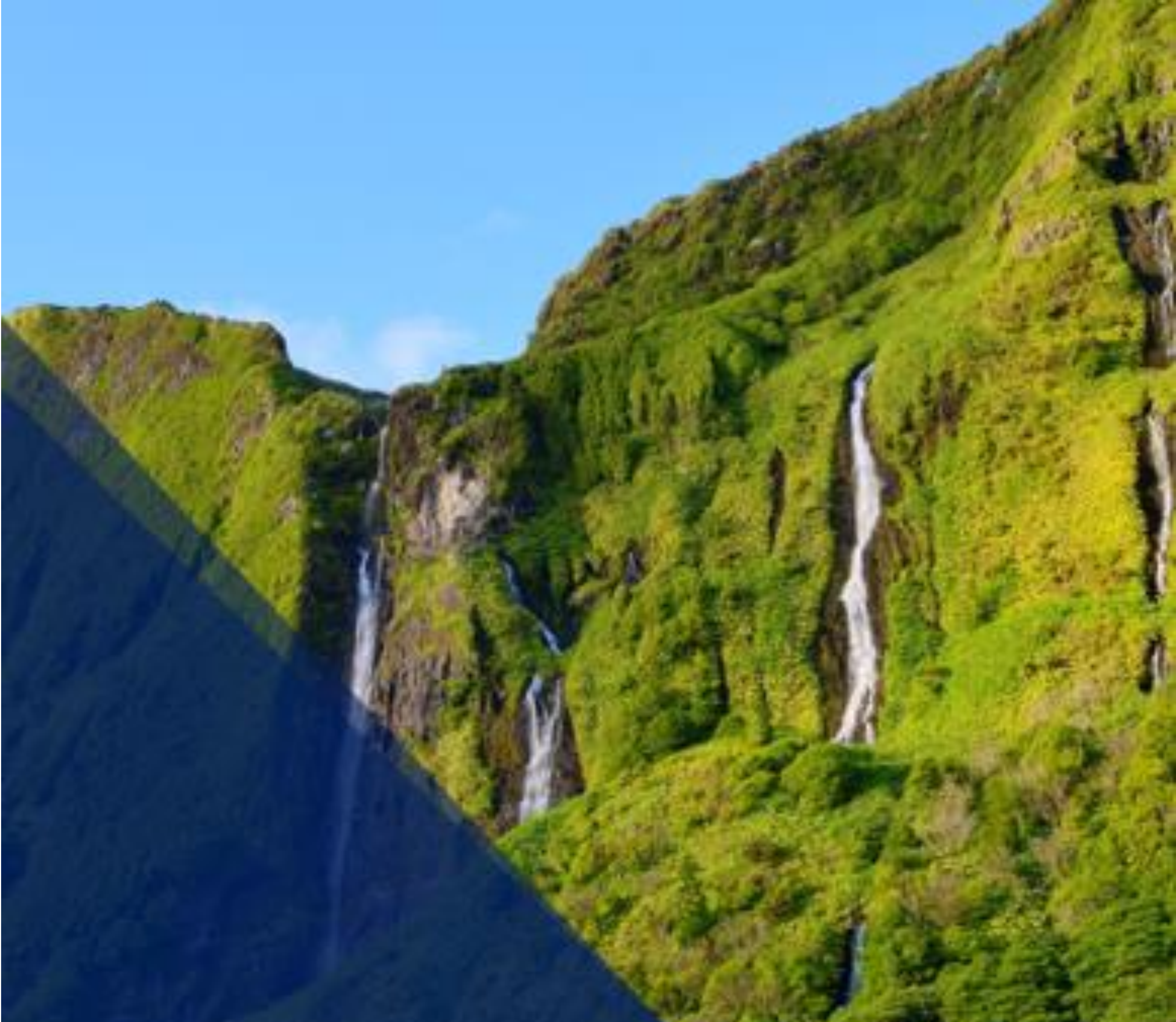

# The Azores

## Study on living conditions and access to selected basic needs in the EU outermost regions

REQUEST FOR SERVICES 005 Under Framework contract 2020CE160AT013

# 1.0 Key economic and social structure of the Azores

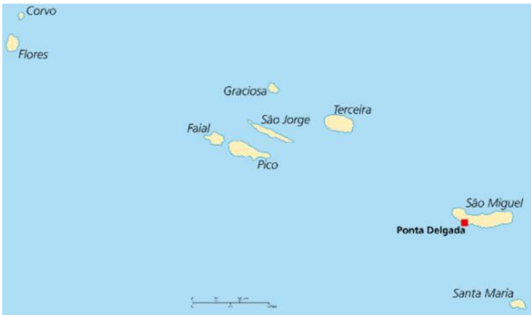

Figure 1. Azores map. Source: DG REGIO

- **Specificities of the Region:** The Autonomous Region of the Azores is an archipelago of volcanic origin made up of nine islands in the Atlantic Ocean, with an area of around 2,321.96 km$^2$ and approximately 1,600 km from mainland Portugal. The nine islands are divided into three groups along a 600-kilometre axis: the Eastern Group (Santa Maria and São Miguel), the Central Group (Faial, Graciosa, Pico, São Jorge and Terceira) and the Western Group (Corvo and Flores). The Autonomous Region of the Azores has governmental and administrative autonomy in economic and financial matters, with the Azores having its own Regional Government and Regional Legislative Assembly. In 2022, the Azores archipelago had 253,259 inhabitants[1], 4.2% less compared to 2011. Populational density also fell between 2011 and 2021, from 106.3 (the year with the highest density) to 101.8 inhabitants per km$^2$ [2]. There are high demographic, social and economic disparities between the various islands, resulting in nine distinct realities within the region. The municipality with the highest population density is Lagoa (311.2 inhabitants per km$^2$), located on the island of São Miguel. The municipality of Lajes das Flores, located on the island of Flores, has the lowest population density, with around 20 inhabitants per km$^2$. The Azores face additional social and economic challenges associated with territorial fragmentation and small market size.
- Adequate **Housing** and **Connectivity** were identified as key basic needs to be analysed in the Autonomous Region of the Azores. **Key facts and figures** are summarised below:

> ▷ ***Key area 1 "Adequate housing"*:** The island's orographic conditions pose a challenge to the construction of housing and infrastructure. The occurrence of meteorological, seismological, geological and hydrological events has also had some impact on housing dynamics. Finally, the archipelago's isolated position in the Atlantic makes it dependent on the raw materials supply chain by sea, which is subject to shipping constraints and higher costs.
>
> ▷ ***Key area 2 "Connectivity (Internet and telephone)":*** The island's rugged terrain and very asymmetrical land use pattern are obstacles to the development of economically interesting market solutions, impacting the investments of telecom operators to supply their services. In addition, the life span of the submarine cables linking the Azores to the mainland is ending, and it is necessary to prepare for their replacement to ensure the region's digital connectivity.

# 2.0 Adequate housing

## 2.1 Access to adequate housing in the Azores

### 2.1.1 Conditions in place to meet the needs and main factors constraining access

**Conditions in place**

- From an **administrative** point of view, the **Regional Directorate for Housing** is the regional entity that oversees housing-related matters in the Azores, including social housing. It is entrusted with the analysis, coordination, supervision and implementation of housing actions according to the Regional Government's goals and in close collaboration with local authorities, public utility institutions, private entities or cooperatives to create better housing conditions for the population.
- The "**Agenda for Housing in the Azores 2020-2031**" is the most relevant policy document on this matter, aiming to increase public housing availability and quality and to bridge the gaps households face in accessing the housing market. Furthermore, several municipalities are developing their **Local Housing Agendas**, allowing a better view of the existing constraints and access to funding from the Recovery and Resilience Plan (RRP).
- The **available funding mechanisms and support schemes** can help improve the housing situation. The European Regional Development Fund and the European Social Fund Plus (ERDF-ESF+) Programme for 2021-2027[3,4] plan the

reconversion, recovery and adaptation of buildings for social housing with 2 million euro. A specific objective for energy efficiency (16.3 million euro) foresees investments in energy efficiency in housing (social and private).

- Moreover, the Azorean section of the Portuguese RRP[5], foresees investments of 60 million euro[6] in social housing aiming to construct 277 new dwellings and renovate 551 dwellings[7]. A new investment plan is due to put 145 new self-built plots on the market on the island of São Miguel, an initiative supported with 4.2 million euro by the RRP[8].

## Constraining factors

The region faces diverse challenges which partially constrain access to this basic need or are likely to constrain access in the future:

- In 2021, the number of buildings in the Azores was 100,478[9]. Challenges regarding **access to housing are reflected in a higher overcrowding rate**[10], which was 13.5% in the Azores in 2023, compared to 9.4% nationally. This affected predominantly urban areas, with a rate of 21% (10.8% nationally). In medium-urban areas, this figure was 17.3% (9% nationally), while in rural areas it fell to 9% (7.1% nationally).
- Socio-economic factors partially constrain access to adequate housing in the region. **Regarding the bank valuation standard**[11] [12], the median value in 2012 in the Azores was 729€/m$^2$ which rose to 1,054€/m$^2$ in 2022. However, the values remain constantly lower than the national level, which stood at 789€/m$^2$ in 2012 and 1,400€/m$^2$ in 2022. However, in 2022, the **employed population in the region had an average net monthly income**[13] **of 918€** - lower than the 1,011€ in mainland Portugal, which needs to be factored in. The consumer price index in December 2022[14] was higher in the Azores than at the national level, which may add to the **difficulties in accessing housing** due to financial constraints.
- Most of the region's residential dwellings are owned by households[15] (56%), and almost 40% of households had to pay monthly instalments for their purchase. Of these, **almost half of households (48.8%) spent between 200€ and 399.99€** on their monthly instalments, while **23.5% had monthly costs of up to 199.99€.**
- **The housing rental market is relatively small**, with rented accommodation[16] accounting for 12.9% of the total, compared to the national figure of 15.5%. The predominance of rent segments between 200€ and 399.99€ (44.4%) is notable. Even so, 20.9% of all the rentals in the Azores are within the lowest segments (up to 74.99€), compared to national data (13.1%).
- The **availability of social housing in the region was also lower than on the mainland** in 2015 (most recent data). In that year, there were 10.5 social housing dwellings (per 1,000 inhabitants) in the region, while on the mainland there were 11.5. The number of social housing dwellings rose from 1,606 (2009) to 2,548 (2015) in the Azores, an increase of around 58.7% (2.8% at the national level)[17]. However, there are **disparities between the islands**, with municipalities like Ribeira Grande offering 21.4 social dwellings per 1,000 inhabitants, and others where social housing is marginal (0.6 or 0.9 dwellings per 1,000 inhabitants in Calheta or Vila do Porto, respectively), or non-existent (as in Corvo)[18].
- **Regional ecological and climatic conditions** make it complex for construction as it is necessary to define areas that are restricted for environmental reasons or due to risks to people and property[19]. The fact that the region is an attractive tourism destination places additional limits on the housing available in the short term but could provide an incentive for construction.
- The **construction dynamic in the region is slowing down**[20]. Of 100,478 existing buildings in 2021, only 4.3% had been built between 2011 and 2021 and 18.6% were built between 2001 and 2010. Most of the buildings date from 1946 to 1980 (29.7%) and from 1981 to 2000 (31.9%). T**here are some heterogeneities between the islands**[21]. 20% of the buildings on Corvo Island were built between 2011 and 2021, considerably higher than the Azores average (4.3%). The other islands to build the most in the same period were Santa Maria (6%), and Faial (5.8%). The island with the greatest slowdown in construction was Graciosa, where only 2.1% of buildings were constructed in the most recent period. The islands with the highest shares of oldest buildings (before 1945) are Graciosa (31.2%) and Flores (29.4%).
- **The upward trend in raw material prices constrained the construction sector**. This is due to the lower predictability of activity in terms of costs and revenue, which has been worsened by the Russian invasion of Ukraine. The small size of the market and a smaller pool of potential buyers also reduce the economic interest in investing in residential property[22].
- The proportion of **vacant dwellings stood at 12.4% of the total in 2021**[23], slightly higher than the national figure (12.1%) and 2011 data, when 12.35% of houses were vacant (national average of 12.55%)[24]. Of the 100,478 dwellings, 75.2% were used as habitual residences, 12.4% as secondary residences, and the rest were vacant for sale, rent or for other reasons.

- In 2021, **compared to the national building stock, the region had a lower proportion of buildings with repair needs** of medium (7.5%) or deep (2.9%) dimensions, with 65.4% having no repair needs[25]. The city with the best state of building conservation is Horta, on Faial Island, where 78.6% of its buildings do not require repair, followed by São Miguel Island (70.6%) and São Jorge Island (68%). Flores is the island with the greatest need for major repairs (8.8%), followed by Graciosa Island (5.7%) and Corvo Island (5.6%).

# 3.0 Connectivity (internet and telephone networks)

## 3.1 Access to internet and telephone networks in the Azores

### 3.1.1 Conditions in place to meet the needs and main factors constraining access

#### Conditions in place

- Considering the insularity and remoteness of the Azores archipelago from the mainland and its distribution over 9 islands - with the most distant being around 600 km apart, digital connectivity is key. Overall, there is a very **good level of internet access in the region**. In 2021, 93.5% of dwellings had internet access, which is higher than the national figure (88.2%).
- On the other hand, in 2022, the 82.8% of the population aged between 16 and 74 used the internet in the first three months of the year for advanced services for personal reasons, slightly higher than at national level (81.9%)[26]. This may indicate **that the lower level of interaction is not due to the population's inability to access or handle the internet.**
- With regard to telephone access per 100 inhabitants[27], the region's figure (48.75%) is below the national figure (51.21%) in 2022. This form of communication continues to play an important role across all population sectors. In fact, telephone access increased from 37.41% in 2011 in the region.
- From an administrative point of view, **connectivity-related matters are overseen by the Regional Directorate for Communications and Digital Transition**. Its mission is to coordinate and develop actions leading to the implementation of regional policies in communication, information systems and technologies, cybersecurity and digital transition areas.
- The main reference on this matter is the **National Strategy for Connectivity in Very High-Capacity Electronic Communications Networks 2023-2030**, which received a positive opinion from the regional legislative assembly of the Azores, which, seeks to ensure coverage with very high-capacity communications networks by 2025 in the region.
- **There are some opportunities within Cohesion Policy Funds to support connectivity-related matters**. The ERDF-ESF+ Programme 2021-2027[28] has a specific objective dedicated to connectivity[29], which plans to increase the number of households with broadband subscriptions on very high-capacity networks. 7 million euro are planned for this objective. The Connecting Europe Facility (CEF) digital also offers funding to strengthen the deployment of ultra-fast, secure and sustainable digital infrastructures. In 2023, CEF awarded a grant to support the submarine cables that connect the Azores with Madeira and the mainland (Atlantic CAM), which has a maximum EU contribution of 40.5 million euro[30].

#### Constraining factors

The region faces diverse challenges which partially constrain access to this basic need or are likely to constrain future access:

- Data from 2022 on **quality of access**, showed that broadband internet access per 100 inhabitants[31] in the Azores was 40.9%, of which 34.5% were in the domestic (residential) segment and 6.4% in the non-residential segment. These figures are slightly lower than those for the mainland (42.8%, 36.1% and 6.7%, respectively). **Research indicates that there are differences in access capacity between the various islands - even between areas of the same island**, namely between higher and lower-density territories.
- Although **a significant proportion of the region's municipalities provide basic services online**[32] (94.7% offer downloadable forms and 84.2% have a dedicated email address), the provision of **more complex operations is not so common**. For example, only 42.1% of the region's municipalities allowed forms to be filled in and submitted online, while 31.6% allowed private building work processes to be monitored online. Similarly, the proportion of individuals aged between 16 and 74 who had sent online forms to the public administration in 2021 was 27.6%, which may indicate a lower capacity

to use the potential offered by digital connectivity in the Azores than in the mainland (34.2%)[33], as well as the administration's relatively low use of digital media for the purpose of interacting with citizens.

- The **cost of communications is also higher in the Azores**, as the consumer price index was 109.746 in 2022, while the national figure was 109.412. Given the lower incomes in the region compared to Portugal (in 2022, the average net monthly income was 918€ in the Azores compared to 1,011€ in mainland Portugal), this could be an obstacle for accessing communication networks.
- A series of tests conducted in 2022 on **internet speed** (download and upload)[34] positioned the region (90.7 Mbps) below the average national value (95 Mbps) on download speed. As for upload speed, the region had a slightly better performance compared to the national value (respectively 64.2 and 62.4 Mbps). However, in terms of latency (lag/delay), the region showed the lowest national value equivalent to 29 milliseconds (ms). Some municipalities (Calheta and São Roque do Pico) registered even lower download speeds, below 25 Mbps. During tests carried out at national level, half of the residential fixed access connections reached 108 Mbps speed for downloads and 72 Mbps for uploads (residential fixed access). Latency arrived at 13 ms[35] .
- In the case of mobile internet access, the situation is reversed, with the region performing more favourably than the national average in terms of both downloading (41.2 Mbps compared to 15.1 Mbps) and uploading data (14.7 Mbps compared to 7.4 Mbps). Although, latency was the highest of the whole set (51 ms).
- One key aspect is the **integrity and level of operation of the submarine cables** that connect the mainland to the Azores and Madeira (CAM Ring[36]). Currently, the region is connected to the mainland via the domestic branch of Columbus III, whose useful operating life ends in 2024. There is also an interconnection between the Azores and Madeira, which allows the system to be redundant, but whose useful lifespan will end in 2028[37].
- In this context, a need to **replace Columbus III has been identified**[38], with a view to boosting regional and national data and knowledge ecosystems.

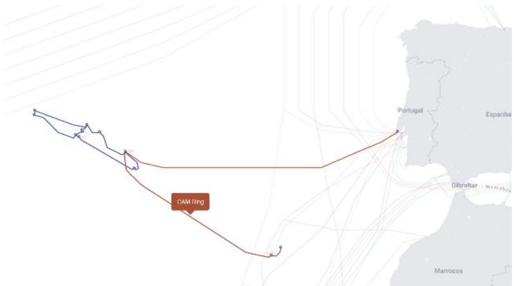

Figure 2. Cable system connecting Azores and Madeira to the mainland. Source: Submarine cable map

# 4.0 Mitigating actions and recommendations

| **Needs identified in Key Area 1: Access to housing** |
|---|
| **PROMOTE THE CONSTRUCTION OF SOCIAL HOUSING AND AFFORDABLE PUBLIC HOUSING** |
| ▸ Promote the availability of affordable social housing for vulnerable and middle-class households.<br>▸ Continue to invest in the construction of social housing and its energetic efficiency and certification. |
| **STIMULATE THE USE OF VACANT DWELLINGS AND RECOVERY OF UNINHABITABLE HOUSING** |
| ▸ Provide incentives for owners of vacant housing to put their dwellings on the market. For example, by increasing predictability when renting and security of tenure, providing safeguards for landlords or tax incentives for long-term/price-controlled rentals. Promote urban regeneration and rehabilitation by renovating degraded or uninhabitable housing and putting it back on the market. |
| **ENSURE THE USE OF FUNDING OPPORTUNITIES FOR HOUSING.** |
| ▸ Put in place dedicated services to help with applications, operations, and interventions with the aim of better exploiting available funding. |
| **Needs identified in Key Area 2: Access to connectivity (internet and telephone)** |
| **REPLACE SUBMARINE CABLES AND PROMOTE THE GENERATION/ACQUISITION OF BIG DATA** |
| ▸ Encourage the necessary steps to ensure the timely replacement of the current submarine data cables considering that their lifespans are approaching their end. |

- Develop SMART cables to gather information about the ocean, ecosystems, climate change and other relevant domains for the regional Research and Innovation Strategy for Smart Specialisation.

**PROMOTE TRAINING TO MAKE BETTER USE OF DIGITAL OPPORTUNITIES**

- Support upskilling programmes for both citizens and civil servants to increase the efficient use of digital solutions for citizens to interact with the public administration and the challenges of remoteness and territorial fragmentation.

**EXTEND COMMUNICATION NETWORKS AND ENSURE THEIR FUNCTIONALITY**

- Improve market conditions for service providers by promoting investments in high-speed broadband infrastructure projects, reducing the number of underserved areas and encouraging economic development in these areas.

# Annexes

## Annex 1 - References

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