

October 2022 RICS/Ci Portuguese Housing Market Survey

Housing market activity remains subdued

- **Buyer demand falls further into negative territory**
- **Near-term sales expectations remain downbeat**
- **Lettings market still resilient at this stage**

Summary:

The October 2022 RICS/Ci PHMS results continue to depict a negative outlook for housing market activity. This is demonstrated by a further decline in new buyer demand over the month, coupled with the indicators for new instructions and agreed sales falling deeper into negative territory. Alongside this, the lettings market remains resilient for now, with tenant demand and rents still rising, even if the pace of growth appears to have moderated slightly.

With respect to new buyer demand, a headline net balance of -30% respondents saw a decline in enquiries in October. This was a further decrease on September's reading of -16%, suggesting that the downward trend in buyer demand is becoming more entrenched. Stock coming onto the market also deteriorated further, as the net balance recorded for new instructions fell to -40% (a decrease from -28% reported in September). For agreed sales, the headline net balance was reported at -29%, which was a small decline from the -28% reading in September. Furthermore, near-term sales expectations remain downbeat, posting a net balance of -22% in October. As such, this indicator points towards a continued negative trend in sales volumes over the coming months, which is likely associated with the ongoing tightening in monetary policy.

Turning to house prices, the headline net balance came in at +12% this month, an easing on the figure of +25% reported in September. Twelve-month price expectations moderated further, returning a net balance of +10% in October (down from September's reading of +16%). That said, regional data shows that the Algarve has stronger twelve-month price expectations than the headline average, with the net balance being reported at +25% (unchanged from the previous month). For Lisbon, the twelve-month price expectations net balance came in at +11%, while Porto saw this reading flatline to zero. For both regions, the price expectations net balance stood at +14% last month.

The Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -14, which is more or less in-line with -17 seen in September. When broken down, this is indicative of a continued fall in sales volumes alongside a broadly flat price trend over the near-term.

For the lettings market, tenant demand reportedly increased according to a net balance of +37% of respondents, a small easing on +43% seen in September. In October, rents were reported to have picked up by a net balance of +36% of contributors (compared to +46% in September). Overall, the rental market continues to show solid momentum even if these net balances are not quite as elevated as before.

The RICS/Ci Portuguese Housing Market Survey (PHMS) provides a qualitative monthly assessment of the sales and lettings sectors based on around 100 regular responses. The PHMS contains a regional breakdown covering Lisbon, Porto and the Algarve.

To be put on the automatic press release distribution list for receipt on the morning of the embargo date e: tparsons@rics.org

Ricardo Guimarães, Director of Ci: The results from SIR – Residential Information System shows that until October the number of transactions was still stable. Comparing the last three months with the three months before, this system points to a 2% decrease. This change does not reflect the scale of decline in agents' expectations. Nevertheless, the number of transactions is being pressured both from the demand and supply sides. The former is due to income restrictions, the latter from the relevant fall in the number of houses available to sell. This is consistent with the survey, as the most negative indicator refers to new selling instructions from owners."

Tarrant Parsons, RICS Senior Economist: "The Portuguese housing market remains under pressure, with activity falling and price growth losing momentum. Given the troubled economic outlook across much of Europe, it is not surprising that there has been a slowdown in demand amid the continued tightening in monetary policy. Looking ahead, the future profile for inflation will be key in determining how much further rates need to rise, which remains difficult to assess at this stage."

Chart 1: Sales market indicators

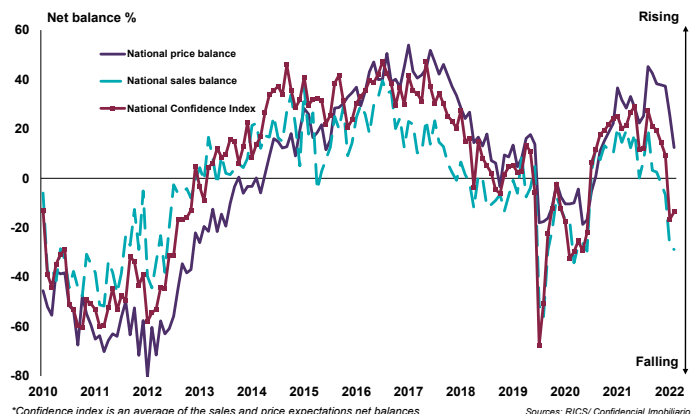
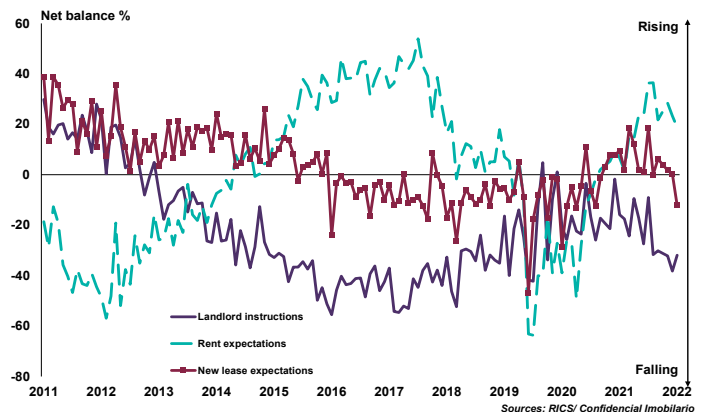


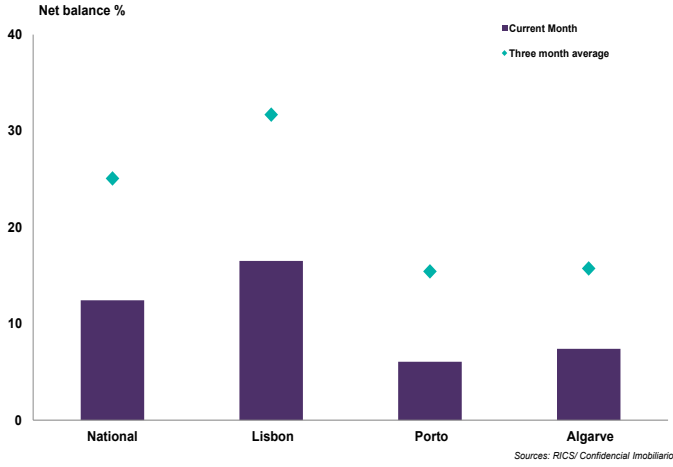
Chart 2: Lettings market indicators



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Sales Market Charts

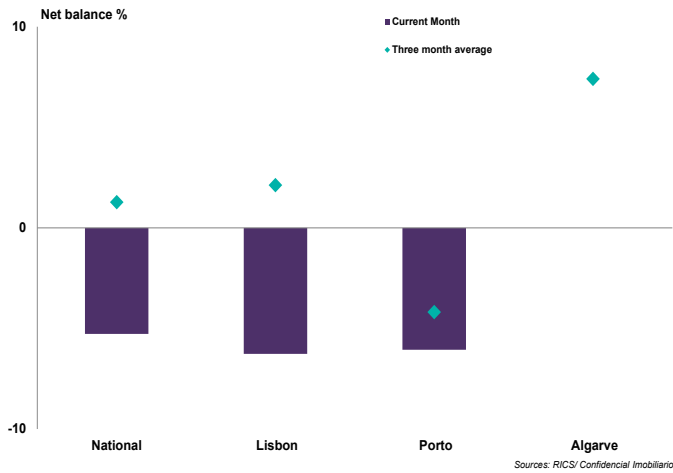
Prices (last three months) by Region



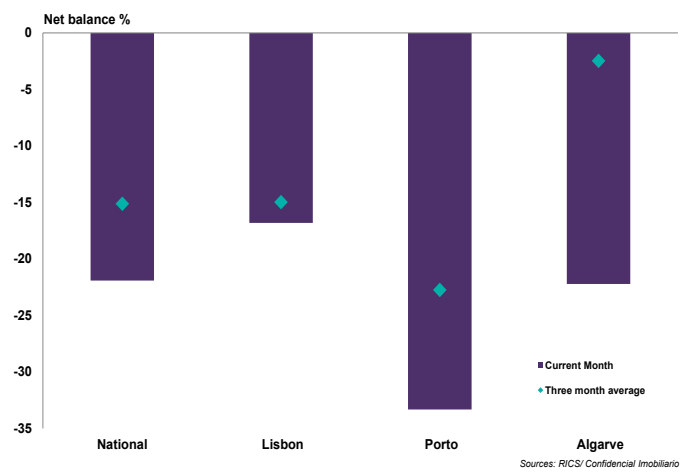
Promised Sales (past month) by Region



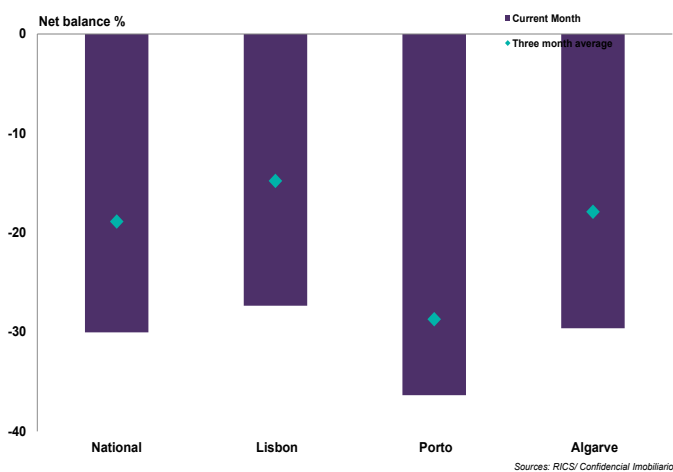
Price Expectations (next three months) by Region



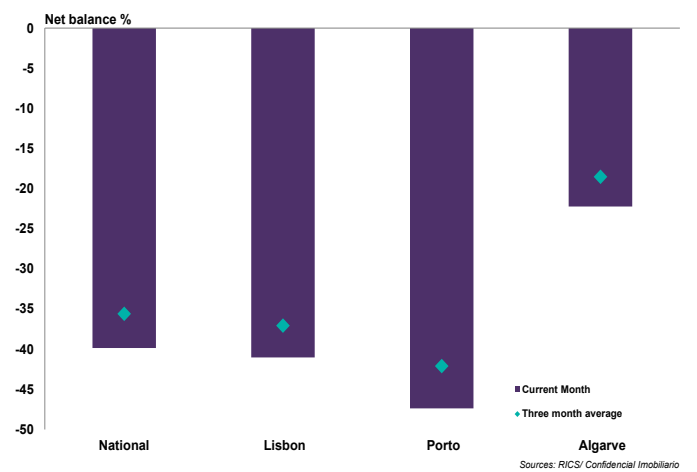
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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About RICS

RICS is a global professional body. We promote and enforce the highest professional qualification and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to the markets we serve. The work of our professionals creates a safer world: we are proud of our profession's reputation and we guard it fiercely.

About Ci

Ci - Confidencial Imobiliário is an independent company dedicated to supplying real estate market professionals with the statistical information required for their investment and strategic decision making. Ci specializes in producing market intelligence indicators, indices and exclusive databases on the housing market, covering both supply and transactions, typically in high geographical detail. One of its main products is the Index Ci, which is the most referred to house price index in Portugal. Given its credibility and independence, the Index Ci is used by entities like the European Central Bank, the Bank of Portugal and the Portuguese Government.

Survey sponsors

Both RICS and Ci are grateful to BPI, IMPIC and Millennium bcp for supporting the survey.

Notes to editors

About:

- The RICS/Ci Portuguese Housing Market Survey is a monthly sentiment survey of estate agents and developers who operate in the Portuguese residential sales market.

Regions:

- Three regions make up the national (headline) readings: Lisbon Metropolitan Area, Oporto Metropolitan Area and the Algarve. The data is regionally weighted and operator (agent/developer) weighted.

Questions asked:

1. How have house prices have changed over the **last three months**? – Net balance
2. Over the **last month** how did the number of 'promised' sales change? – Net balance
3. Over the **last month** how have the number of new enquiries changed? – Net balance
4. Over the last month how has the number of new instructions changed? – Net balance
5. Over the **next three months** how do you expect house price levels to change? – Net balance
6. Over the **next three months** how do you expect the number of agreed sales to change? – Net balance
7. Over the **next twelve months** how do you expect house price levels to change – Point estimate
8. Over the **next five years** how do you expect house price levels to change (average per year) – Point estimate
9. Over the **last month** how has tenant demand for rented accommodation changed? – Net balance
10. Over the **last month** how have new instructions to let rented accommodation changed? – Net balance
11. Over the **last month** how have residential rents changed? Net balance
12. Over the **next three months** how do you expect residential rents to change? – Net balance
13. Over the **next three months** how do you expect residential rental transactions to change? – Net balance

Net balance data:

- **Net balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%).**
- Net balance data is opinion based; it does not quantify actual changes in an underlying variable.
- Net balance data can range from -100 to +100.
- A positive net balance implies that more respondents are seeing increases than decreases (in the underlying variable), a negative net balance implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.
- Therefore, a -100 reading implies that no respondents are seeing increases (or no change), and a +100 reading

implies that no respondents are seeing decreases (or no change).

- In the case of the RICS/Ci price balance, a reading of +10 should not be interpreted as RICS/Ci are saying that house prices are going up by 10%, but that 10% more surveyors reported increases rather than decreases in prices (over the last three months).
- A change from +30 to +60 does not mean that the variable grew by 30% in one period and by 60% in the next period, but it does indicate that twice as many surveyors reported an increase compared to a decrease than in the previous period.
- Likewise, if we get a reading dropping from +90 to +5, this still means that more respondents are reporting increases than decreases overall, but the breadth of those reporting increases has fallen dramatically; meanwhile, a shift in the reading from -90 to -5 still means that more respondents are reporting decreases than increases overall, but the breadth of those reporting decreases has fallen dramatically.

Seasonal adjustments:

- The RICS/Ci Portuguese Housing Market Survey data is not seasonally adjusted.

RICS/ Ci Confidence Index:

- The RICS/ Ci Confidence Index is an average of the Sales Expectations net balance and Price Expectations net balance.
- This is intended as a summary measure of confidence overall.

Third party distributors:

- The RICS/ Ci PHMS national data set is available to users of Macrobond.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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