

August 2020 RICS/Ci Portuguese Housing Market Survey

Activity struggling for momentum amid pandemic

- Buyer enquiries see renewed dip in August
- Sales expectations still broadly flat
- Tenant demand starting to improve

Summary:

The August 2020 RICS/Ci PHMS results suggest activity across the market continues to exhibit subdued impetus, with indicators on demand, sales and new instructions all in negative territory. Conversely, in the lettings market, demand now appears to be picking up, although this is yet to translate into an increase in rental pressures at the moment.

The headline new buyer enquiries gauge returned a net balance of -10% in August, down from a modestly positive figure of +9% posted in July. At the regional level, while monthly demand trends were reported to be broadly flat across Lisbon, respondents cited outright declines in both Porto and the Algarve. Back at the headline level, a net balance of -13% of survey participants noted a decline in agreed sales during August, with all regions seeing a fall in transactions over the period. Looking ahead, near term sales expectations remain in broadly neutral territory, signalling little change is anticipated over the coming three months.

Alongside this, new instructions to sell declined over the month following a more or less stable trend reported in July. What's more, each region covered by the survey saw a renewed drop-off in sales listings coming onto the market during August.

With regards to house prices, a headline net balance of -7% of respondents saw prices decline in the latest results. This is down from a flat picture reported in the July feedback although the latest figure still suggests prices have seen very little movement of late. That said, price expectations did deteriorate in August, with the three-month indicator posting a net balance of -23% (down from -5% previously). Moreover, twelve month expectations now point to house prices falling by around -2% in aggregate.

The national confidence index (a combined measure capturing near term price and sales expectations) fell back to -12 in August having recovered somewhat to -2 in the July survey returns.

In the lettings market, tenant demand increased at the strongest rate (in net balance terms) since back in February. Even so, rents remain in decline and are expected to continue on a downward trajectory over the coming three months.

Ricardo Guimarães, Director of Ci: "August was another month with stable prices, according to Confidencial Imobiliário's House Price Index. Prices grew 0.1% at national level, even though recent market valuations show a sharp decline. This demonstrates that, despite low market expectations, owners are resilient, due not only to their reduced exposure to global debt, but also as a result of the moratorium measures implemented since the crisis. Wait and see is now the widespread strategy."

RICS Chief Economist, Simon Rubinsohn: "The recent pick-up in coronavirus cases across much of Europe is only likely to complicate an already challenging outlook for the Portuguese economy. In particular, with the latest figures showing the rate of unemployment has risen to 8.1%, further deterioration in the labour market will not bode well for consumer confidence going forward. Given this, it is understandable that the latest survey returns continue to portray a high degree of uncertainty within the housing market."

Chart 1: Sales market indicators

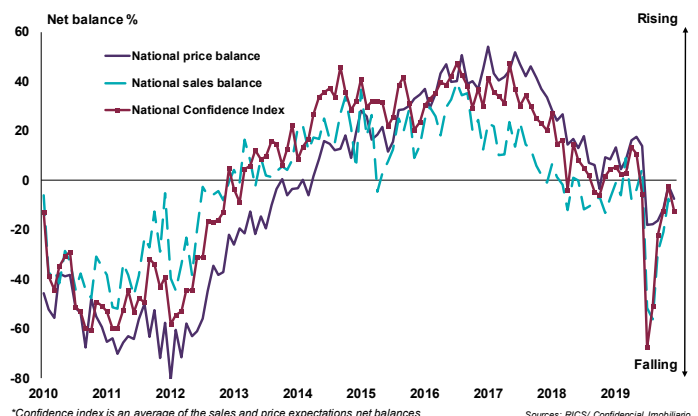
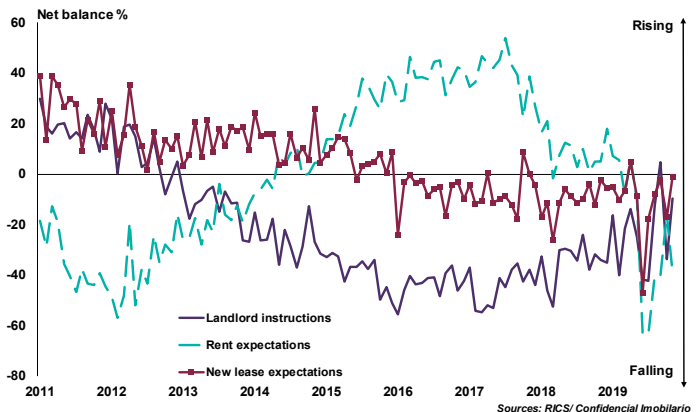


Chart 2: Lettings market indicators



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.

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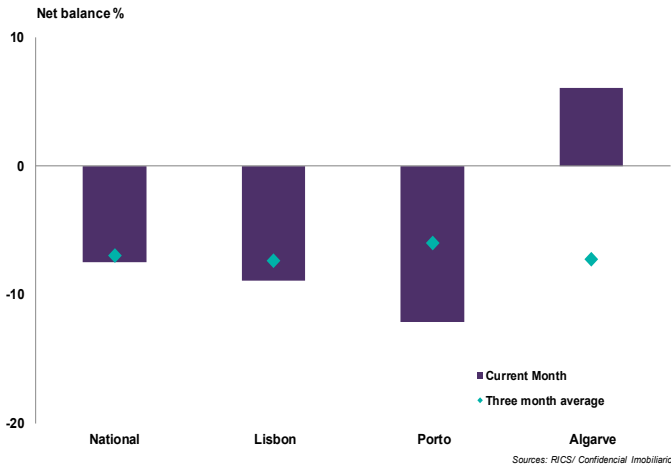
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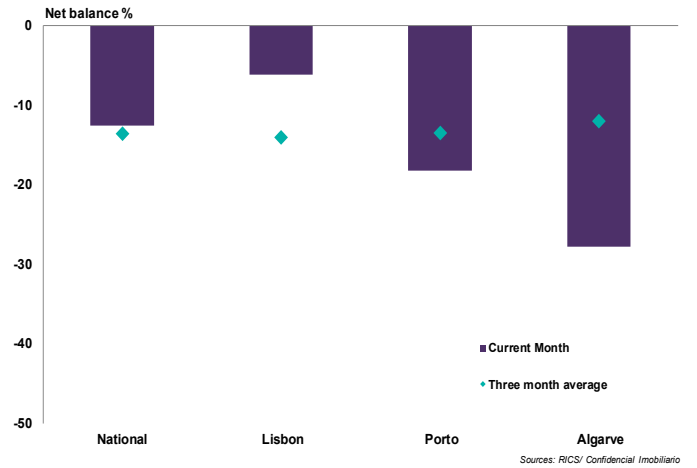
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Sales Market Charts

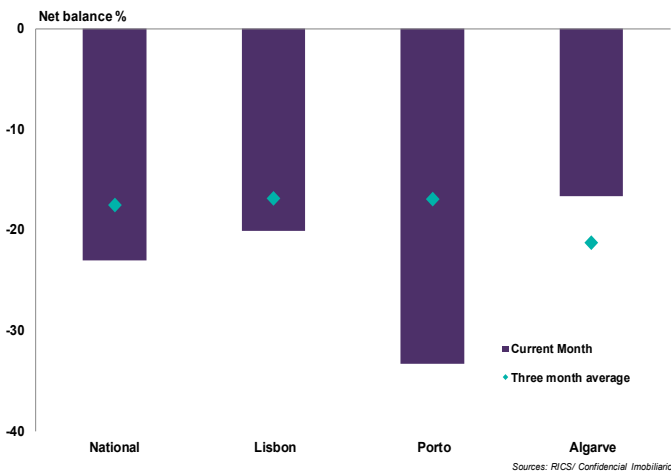
Prices (last three months) by Region



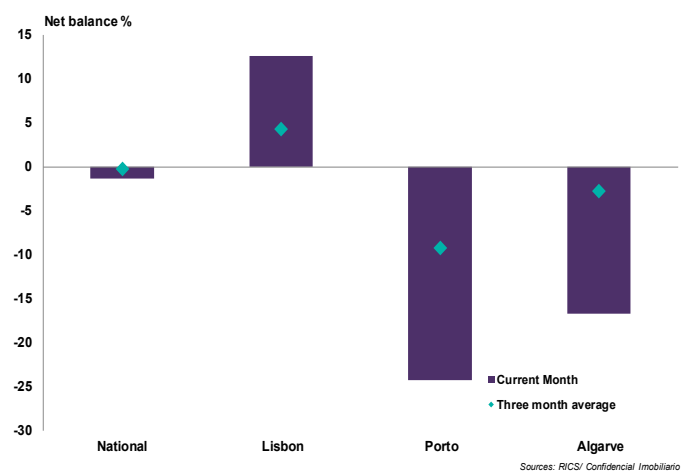
Promised Sales (past month) by Region



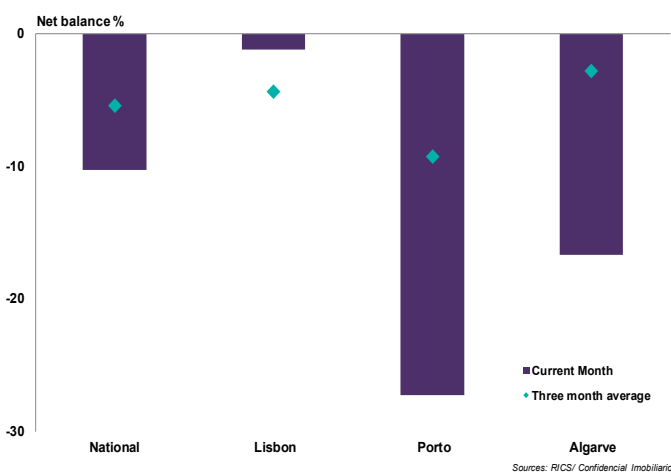
Price Expectations (next three months) by Region



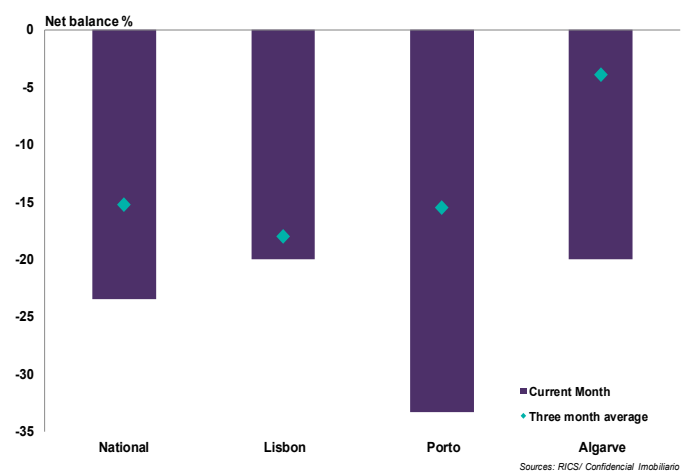
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



Information

For further information please contact:

Ci Press Office: Ricardo Guimarães

Tel: +351 22 208 50 09/+351 93 222 24 84

Email: rguimaraes@ci-iberica.com

RICS Press Office (Portugal): Eulalia Pensado

Tel: +351 91 3705119

Email: epensado@rics.org

Management:

Tarrant Parsons

Tel: +44 (0)20 7695 1585

Email: tparsons@rics.org

Survey sponsors

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

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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.

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.

Survey respondents

RICS and Confidencial Imobiliário are grateful to the following people:

Afonso Henriques, Rentabilizar Med. Imobiliária, Olhão, 935852397, afonso@rentabilizar.com, www.rentabilizar.com

Ana Machado, Imoexpansao, Figueira da Foz, 233402999, info@imoexpansao.pt, www.imoexpansao.pt

Ana Paula Gonçalves, Paula Imobiliária, Montijo, 933235362, paula@paulaimobiliaria.pt, www.paulaimobiliaria.com

Ana Perestrello, Claustro- Soc. Med. Imobiliária, Lisboa, 917 293 677, ap@clastro.com.pt, www.clastro.com.pt

Anabela Flores, Frames, Lda, Oeiras, 214460040, anabelflores@frames.pt, www.frames.imobiliaria.com

Andreia Leite, Portugal Homes, Lisboa, 213471603, andreia.leite@portugalhomes.com, <https://www.portugalhomes.com/>

António Azevedo Coutinho, Azevedo Coutinho, Lisboa, 917236932, azevedocoutinho@gmail.com, <http://mariajosejonet.com/>

António Carvalheira, Madehouse, Lisboa, 217111333, a.carvalheira@madehouse.pt, www.madehouse.pt

Antonio Nunes, Remax Siimgroup Capital, Lisboa, 213514260, Aanunes@remax.pt, www.remax.pt/siimgrouppcapital

Armando Alves, Imopredial, Almada, 212725760, gerencia.imopredial@c21.pt, www.imopredial.pt

Armando Januário Augusto, Porto Real Med IMob Unip Lda, Porto, 912963387, ajanuario@portoreal.pt, www.portoreal.pt

Artur Barroso, Artur Agostinho Barroso da Silva, Porto, 936056540, arturbarroso67@gmail.com, www.itmimobiliaria.pt

Bertin Hervé Matias Picanço, Bertin Picanço-Med.Imob. Lda, Faro, 289823119, geral@bertinpicanco.pt, www.bertinpicanco.pt

Bruno Martins, Belas Clube de Campo, Sintra, 938033938, brunomartins@planbelas.pt, www.belasclubedecampo.pt

Bruno Mata, Best Place, Odivelas, 961388231, bruno.mata@bestplace.pt, bestplace.pt

Carla, Alvarez Marinho, Torres Vedras, 261319110, geral@alvarezmarinho.pt, www.alvarezmarinho.net

Carla Santos, Go Imobiliária, Lda., Santarém, 243094092, go@goimobiliaria.com, www.goimobiliaria.com

Carlos Carvalho, Cortion Lda, Amadora, 965407928, carlos.m.carvalho@century21.pt, century21.pt/heritage

Carlos Figueiredo, Maxidomus, Lda, Cascais, 214561678, cfigueiredo@remax.pt, www.remax/parede

César Neto, César Neto, Lisboa, 916250400, cesarsilvaneto@gmail.com

Fátima Figueiredo, Cenário Atlantico, Caldas da Rainha, 262824221, cenario.atlantico@sapo.pt, properties-villas-portugal.eu

Fernanda Santos, UBMI Portugal, Lisboa, 218937070, fernanda.santos@ubmi.pt, www.ubmi.pt

Fernando Gamboa, Sétimo Ambiente, Lisboa, 967872678, dir@setimoambiente.com, www.setimoambiente.com

Fernando Maximino, FIG Algarve Property, Portimão, 963857900, fmaximino@figalgarveproperty.c, www.figalgarveproperty.com

Fernando Moutinho, Arcobarca Mediação Imobiliária, Arcos de Valdevez, 258101838, geral@arcobarca.pt, www.arcobarca.pt

Fernando Silva, Rigor Mediação Imobiliária, Maia, 918487676, fernandosilva@rigor.pt, www.rigor.pt

Francisco Bacelar, Forma Régia - Med Imob Unip Ld, Matosinhos, 967042914, francisco.bacelar@vilalusa.pt, www.vilalusa.pt

Francisco Mendes, Só No Campo Lda., Santarém, 243094509, fmendes@sonocampo.pt, www.sonocampo.pt

Francisco Mexia Alves, Nolon, Lisboa, 211223444, francisco.mexia@finsolutia.com, www.nolon.pt

Francisco Quintela, Quintela e Penalva Assoc, Lisboa, 212454059, fquintela@quintelaepenvalva.pt, www.quintelaepenvalva.pt

Francisco Sousa, Jopredi, Cascais, 966005900, franciscosousa@jopredi.pt, www.jopredi.pt

Gilmar Freitas, Interfax SMIL, Seixal, 212550528, interfax@interfax.pt, www.interfax.pt

Helder Silva, João Silva Med. Imob. Lda, Ponte de Lima, 258 742 797, joaosilva@imoguia.com, www.joaosilva-imobiliaria.com

Henrique Rocha, Ria Properties, Olhão, 962461623, henrique.rocha@riaproperties.pt, www.riaproperties.pt

Humberto Reduto, Reilar, Loures, Lisboa e VFXira, 219441155, gerencia@reilar.pt, www.reilar.pt

Idalina Gomes, EuCasa- Valor Permanente,Lda, Palmela, 210827030, Idalina@eucasa.pt, www.eucasa.pt

Isabel Pinho, Acrosscoast, Lisboa, 932984109, acrosscoast1@gmail.com, www.acrosscoast.pt

Jack Rebelo, Marketingest Lda, Almada, 917512305, marketingest@mail.telepac.pt

João Costa, Unyca Tejo, Almada, 212595317, joaocosta@unyca.pt, www.unycatejo.pt

João Luís Alves Martins, Predicema Proj. e Const. Lda, Oeiras, 214694683, joaolamartins@gmail.com

João Martins do Vale, Chebadol, Lisboa, 968585146, jmvale@netcabo.pt

João Plmenta, ERA Santarém - Imperatriz Lda., Santarém, 243 303 390, santarem@era.pt, www.era.pt/santarem

Joaquim Santos, Global Trade, Gondomar, 913007440, globaltrade.gondomar@gmail.com, www.globaltrade.pt

Jorge Basto Sobreira, Esfera - Gestão de Activos, Maia, 222445540, negocios@esferaimobiliaria.pt, www.esferaimobiliaria.com

Jorge Manuel Dantas Varandas, Preditur - SMI Lda., Lisboa, 217994830, preditur@preditur.pt, www.preditur.pt

Jorge Martinho, AjMartinho Imobiliária, Porto, 226093775, geral@ajmartinho.pt, www.ajmartinho.pt

José Peixoto, Remax Braga, Braga, 253209510, braga@remax.pt, www.remax.pt/braga

Luis Azevedo, Medispace, Porto, 229481376, comercial@medispace.pt, www.medispace.pt

Luis Mario Nunes, Rede ComprarCasa, Lisboa, 213850165, luis.nunes@comprarcasa.pt, www.comprarcasa.pt

Manuel Neto, Lane Mediação Imobiliária, Lda, Lisboa e Cascais, 210 170 425, manuel.neto@laneportugal.com, www.laneportugal.com

Manuel Passos, Oimovelkero, Lda, Abrantes, 241331613, imovelkero@gmail.com, www.kazaki.pt

Manuel Pereira, Caisnorte Lda, Valongo, 917506642, manuel.pereira@caisnorte.com, www.caisnorte.com

Marco Paulo Novais de Carvalho, HomeFinder Med. Imobiliária, Braga, 253339003, comercial@homefinder.pt, www.homefinder.pt

Marcos Drummond, VIC Properties, Lisboa, 966228945, m.drummond@vic-properties.com, <https://www.vic-properties.com>

Survey respondents

RICS and Confidencial Imobiliário are grateful to the following people:

Maria de Fátima Teixeira Carva, Personalité Premier, S.I. Lda, Guimarães, 253433545, geral@personaliteimobiliaria.com, personaliteimobiliaria.com

Marlene, Porta do Alentejo, Évora, 2667333333, portadoalentejo@century21.pt, www.century21.pt

Marta Figueiredo, B. Prime, Lisboa, 937990094, marta@figueiredo@gmail.com, www.bprime.pt

Martinho Bica, Megamob Lda, Benavente, 263516841, megamob@megamob.com.pt, www.megamob.com.pt

Maryse Ildefonso, Maxoja - REMAX Tavira, Tavira, 281 320 080, mildefonso@remax.pt, www.remax.pt/tavira

Miguel Ferreiro, Balsa Invest, Faro, 964368572, balsainvest@gmail.com, www.balsainvest.pt

Miguel Rocha, Century 21 Dreamline, Carcavelos, 919251717, miguel.rocha@century21.pt, http://century21.pt/dreamline

Miguel Serrão, Serlutie's, Santarém, 927508780, mserrao@serluties.com, www.serluties.com

Nélia Ferreira, Garvetur, Loulé, 289322488, apoiocliente@garvetur.pt, www.garvetur.pt

Nuno Anjos, Anjos, Guia & Vitorino - S.M.I., Peniche, 262798010, nanjos.penicheobidos@era.pt, www.era.pt/penicheobidos

Nuno Paulo Ferreira Campos, Rotaplus -Med. Imobiliária, Maia, 229446388, nunocampos@rotaplus.pt, www.rotaplus.pt

Nuno Rocha, Plano Inclinado, Porto, 225371459, nuno.rocha@plano-inclinado.pt, www.plano-inclinado.pt

Nuno Vidal, Imovidal, Oeiras, 911779991, nuno.vidal@imovidal.pt, www.imovidal.pt

Patricia Barão, JLL, Lisboa, 961772235, patricia.barao@eu.jll.com, www.residential.jll.pt

Paulo Oliveira, MCaldas, Braga, 967616357, geral@mcaldas.pt, mcaldas.pt

Paulo Pereira, Espaço Zone, SMI, Cascais, 932580767, paulopereira@espacozone.pt, www.espacozone.pt

Paulo Pinto, RE/MAX Vintage, Porto, 226181031, vintage@remax.pt, www.remax.pt/vintage

Paulo Silva, Realtyart SA, Albufeira, 965450840, psilva@realtyart.eu, www.realtyart.pt

Pedro Boleixa, Formula Prime, Loulé, 289324667, admin@formulaprime.pt, www.formulaprime.pt

Pedro Gabriel, Gold Team - M. I., Lda., Caldas da Rainha, 262877503, pgabriel@casagold.pt, www.casagold.pt

Pedro Pinha, Novimed, Lisboa, 217815770, ppinha@novimed.pt, www.novimed.pt

Pedro Pires, Openbook, Lisboa, 210960610, pedro.pires@openbook.pt, www.openbook.pt

Pedro Saraiva, Expogroup Remax, Lisboa, 961528498, pmsaraiva@remax.pt,

Rafael Ascenso, Porta da Frente, Cascais, 939276323, rasenso@portadafrente.pt, www.portadafrente.pt

Raquel Coutinho, Matriz Invicta Lda., Porto, 224021094, geral@matrizinvicta.pt, www.matrizinvicta.pt

Ricardo Bettencourt, RB real estate - Ricardo Bette, Lisboa, 211229257, r.bettencourt@rbrealestate.pt, www.rbrealestate.pt

Ricardo Saldanha Calico, Buyme Property, Loulé, 910500969, ricardo.calico@buymeproperty.pt, buymeproperty.pt

Rui Alves, Predipovia Imobiliária, Póvoa de Varzim, 252611585, imo@predipovia.com, www.predipovia.com

Rui Constantino, Medinegócios, Lda, Montijo, 210842500, rui.constantino@medinegocios.com, www.medinegocios.com

Sandra Viana, Loba, Lisboa, 211342281, hello@loba.house, www.loba.house

Sérgio Gonçalves, White Properties, Cascais, 964422148, sergio.mgoncalves@whiteproperties.pt, http://whiteproperties.pt/

Soheil, BWA Group, Alcântara, 217817220, soheil.n@bwagroup.com.pt, www.bwagroup.com.pt

Tiago Cerdeira Pinto, Addsolid, Amadora, 210103950, tpinto@addsolid.com, www.addsolid.com

Tiago Gouveia, Fullhouse - Remax mais, Loures, 219946710, mais@remax.pt, www.remax.pt/mais

Tissyane Scott, Marcela Properties, Lagos, 282 788 977, info@marcelaproperties.com, https://pt.marcelapropiedades

Valentim Costa, Realvilla Urbinvest, Vilamoura, 917559944, vcosta@urbinvest.pt, www.urbinvest.pt

Vasco Manaças, Central Lisbon, Lisboa, 213714340, vasco.manacas@centrallisbon.pt, www.centrallisbon.pt

Victor da Costa, Herculano e Vitor Ida, Vila Nova de Gaia, 918795907, gaia@comprarcasa.pt, www.comprarcasa.pt

Vitor Miranda, Habiaurea, Porto, 220110277, geral@habiaurea.pt, www.habiaurea.pt



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We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

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We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

United Kingdom RICS HQ

Parliament Square, London
SW1P 3AD United Kingdom

t +44 (0)24 7686 8555

f +44 (0)20 7334 3811

contactrics@rics.org

Media enquiries

pressoffice@rics.org

Ireland

38 Merrion Square, Dublin 2,
Ireland

t +353 1 644 5500

f +353 1 661 1797

ricsireland@rics.org

Europe

[excluding UK and Ireland]

Rue Ducale 67,
1000 Brussels,
Belgium

t +32 2 733 10 19

f +32 2 742 97 48

ricseurope@rics.org

Middle East

Office G14, Block 3,
Knowledge Village,
Dubai, United Arab Emirates

t +971 4 446 2808

f +971 4 427 2498

ricsmenea@rics.org

Africa

PO Box 3400,
Witkoppen 2068,
South Africa

t +27 11 467 2857

f +27 86 514 0655

ricsafrica@rics.org

Americas

One Grand Central Place,
60 East 42nd Street, Suite 2810,
New York 10165 – 2811, USA

t +1 212 847 7400

f +1 212 847 7401

ricsamericas@rics.org

South America

Rua Maranhão, 584 – cj 104,
São Paulo – SP, Brasil

t +55 11 2925 0068

ricsbrasil@rics.org

Oceania

Suite 1, Level 9,
1 Castlereagh Street,
Sydney NSW 2000, Australia

t +61 2 9216 2333

f +61 2 9232 5591

info@rics.org

North Asia

3707 Hopewell Centre,
183 Queen's Road East
Wanchai, Hong Kong

t +852 2537 7117

f +852 2537 2756

ricsasia@rics.org

ASEAN

10 Anson Road,
#27-16 International Plaza,
Singapore 079903

t +65 6635 4242

f +65 6635 4244

ricssingapore@rics.org

Japan

Level 14 Hibiya Central Building,
1-2-9 Nishi Shimbashi Minato-Ku,
Tokyo 105-0003, Japan

t +81 3 5532 8813

f +81 3 5532 8814

ricsjapan@rics.org

South Asia

48 & 49 Centrum Plaza,
Sector Road, Sector 53,
Gurgaon – 122002, India

t +91 124 459 5400

f +91 124 459 5402

ricsindia@rics.org