

February 2021 RICS/Ci Portuguese Housing Market Survey

Activity indicators remain in negative territory

- Sales market metrics still subdued
- Prices soften slightly
- Demand stable across the lettings market

Summary:

The February 2021 RICS/Ci PHMS results continue to point to a relatively subdued set of market conditions at present, with expectations suggesting this picture is unlikely to change significantly over the next few months. In the lettings market, despite a broadly stable demand backdrop, rents continue to drift lower according to the latest survey feedback.

With regards to new buyer enquiries, a headline net balance of -20% of respondents reported a decline in demand during February. Although the latest figure extends the negative run for this indicator into a seventh consecutive month, it is slightly less downbeat than -31% posted last time. When disaggregated, while respondents in Lisbon and Porto continued to report falling demand, the Algarve saw a flatter trend emerging over the month. Nevertheless, new instructions coming onto to sales market fell sharply across all regions covered by the survey.

At the headline level, a net balance of -29% of contributors noted a decline in sales volumes in February (broadly in-line with a reading of -26% posted last time out). Looking ahead, sales expectations remain generally lacklustre, albeit the latest net balance did move up -11% compared to -19% previously. Interestingly, expectations are marginally positive in the Algarve (marking the first positive reading since July 2020). By way of contrast, the near term outlook is yet to see any meaningful improvement across both Lisbon and Porto.

Alongside this, house prices fell modestly in aggregate terms over the latest survey period, evidenced by a net balance reading of -17% (similar to last month's figure of -19%). Going forward, price expectations remain slightly negative at both the three and twelve month time horizons. That said, respondents foresee only a marginal decline in house prices across Lisbon and the Algarve, while expectations are altogether more downbeat within Porto.

In the lettings market, demand held more or less steady during February (net balance +2%). Alongside this, respondents expect a broadly stable pattern in lettings volumes to continue over the coming three months. Despite this, a net balance of -34% of respondents anticipate that rents will continue to fall in the near term.

Ricardo Guimarães, Director of Ci: «We are closing deals, especially with investors that do not depend on bank loans. Otherwise, there's a lot of uncertainty both to buy and to sell» "That statement from one agent is a good signal of market momentum and sentiment. Figures both from Ci and from official sources show that prices and sales have seen resilient trends given present conditions. Surprisingly, developers have maintained their pricing levels and show no sign of reversing. Even so, the end of the pandemic cycle is clearly the key to untie the market."

RICS Chief Economist, Simon Rubinsohn: "The renewed rise in unemployment across Portugal of late is likely to weigh on the outlook for the housing market over the near term. This has been reflected in generally subdued expectations once again returned in the latest PHMS. That said, the economy is still expected to rebound over the second half of the year, provided restrictions continue to ease as planned, and this could begin to feed into an improvement in housing market activity further down the line."

Chart 1: Sales market indicators

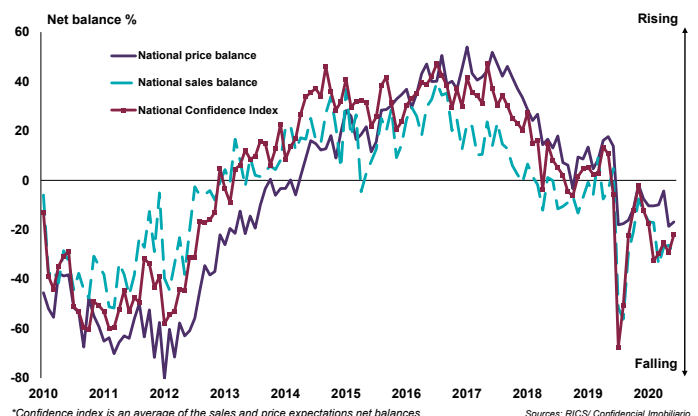
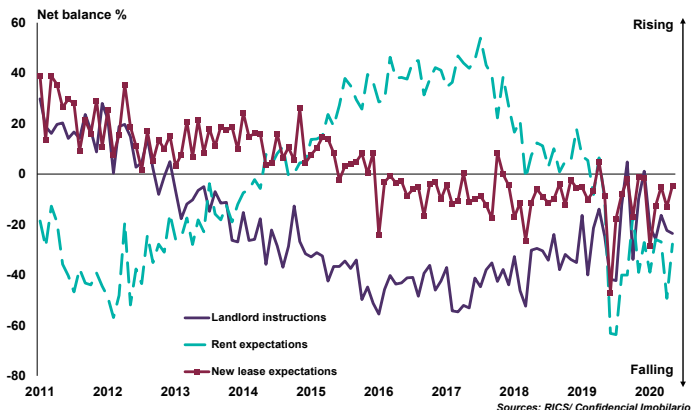


Chart 2: Lettings market indicators



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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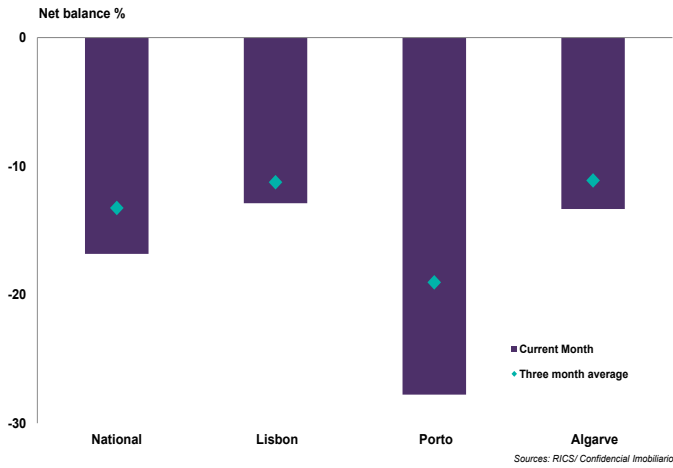
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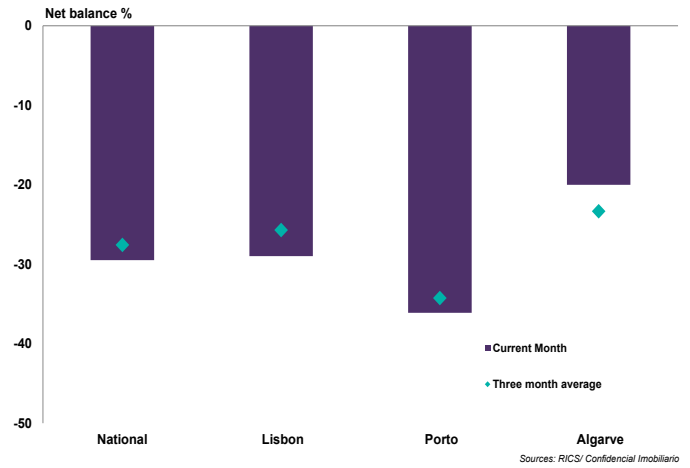
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Sales Market Charts

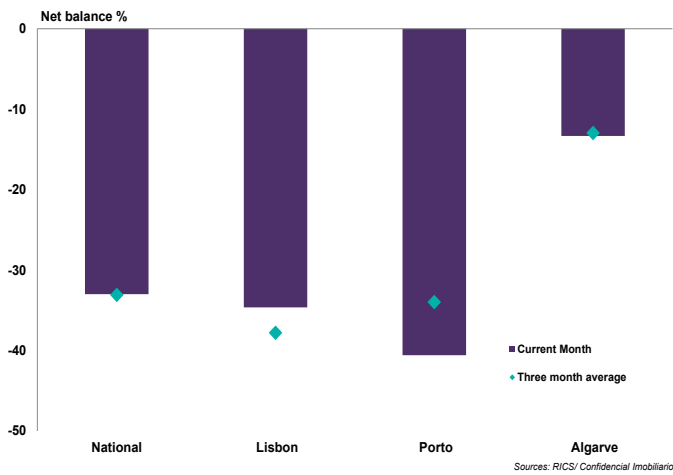
Prices (last three months) by Region



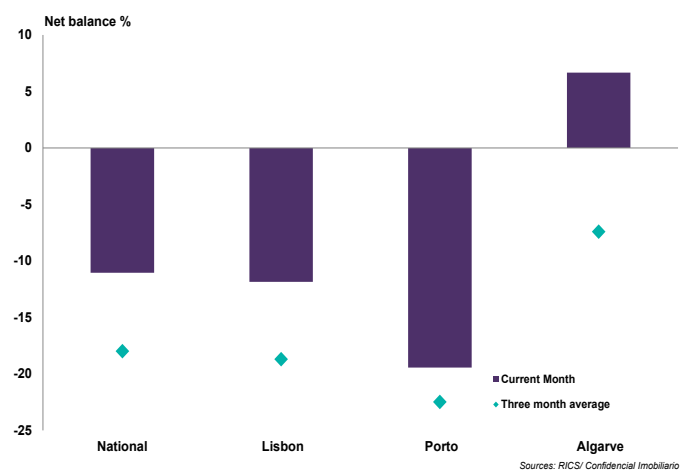
Promised Sales (past month) by Region



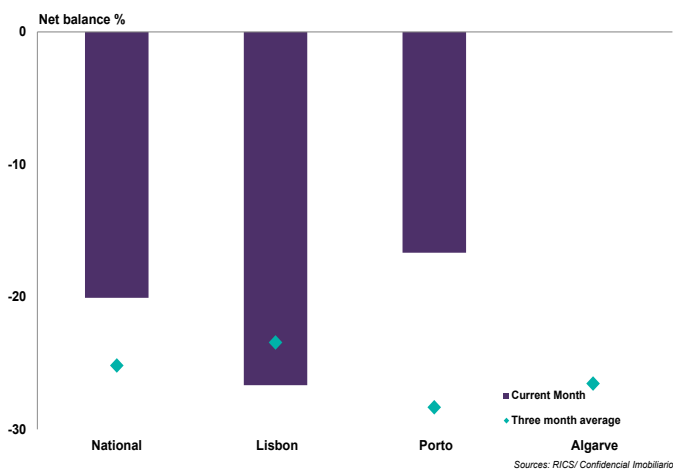
Price Expectations (next three months) by Region



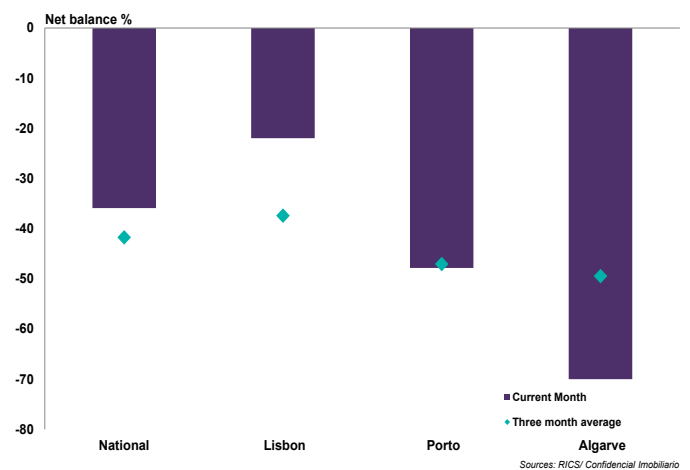
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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Survey sponsors

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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.

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.

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