

## October 2020 RICS/Ci Portuguese Housing Market Survey

### Near term outlook weakens further

- Buyer demand slips over the month
- Price and sale expectations deteriorate further
- Tenant demand also softens slightly

#### Summary:

The October 2020 RICS/Ci PHMS results show sentiment turning somewhat more cautious regarding the near term outlook across the sales market. Both sales and prices are anticipated to come under pressure over the next three months, with the economy continuing to grapple with the challenges posed by the pandemic. That said, some of the expected reduction in activity through the rest of the year can also likely be attributed to seasonal factors.

New buyer enquiries were reported to have fallen according to a net balance of -25% of respondents in October. As such, this represents the weakest monthly reading since April. Furthermore, enquiries are now falling in each region covered (Lisbon, Porto and the Algarve). At the same time, new instructions coming onto the sales market also continued to dwindle, evidenced by a net balance of -15% of contributors noting a drop.

Alongside this, a headline net balance of -17% of respondents cited a decline in newly agreed sales over the month (identical to last month's net balance). Going forward, sales are seen continuing to slip over the coming three months, with the net balance for the sales expectations series falling to -29% from -13% in September.

In terms of house prices, momentum over recent months has remained relatively stable. Indeed, the latest net balance of -10% is unchanged from that returned in September and is still consistent with a very slight dip in house prices. Looking ahead, expectations for the coming three months are altogether more negative, with a net balance of -36% of survey participants anticipating a drop in house prices through to the end of the year.

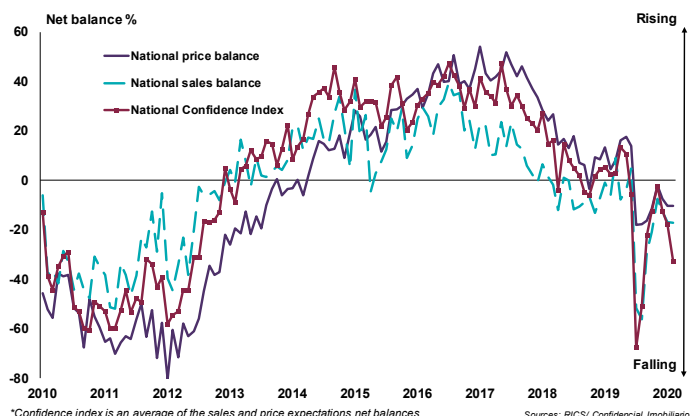
The national confidence index (an amalgamation of near term price and sales expectations) fell back to -32 in October, down from -18 previously. Again, this is the weakest reading since April and is a strong indication that the second wave of the pandemic has knocked confidence.

In the lettings market, tenant demand also suffered a setback following two successive monthly increases beforehand. As a result, a net balance of -39% of contributors expect rents to fall further over the next three months.

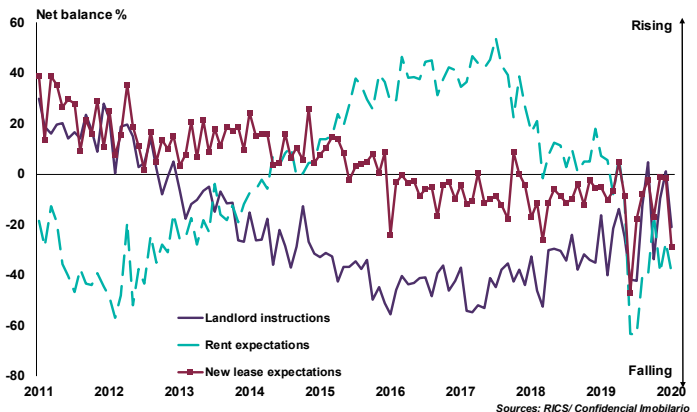
**Ricardo Guimarães, Director of Ci:** "A second "covid wave" is not a surprise, especially when entering the autumn and winter seasons. Nevertheless, it was not expected to be greater than the first one, exceeding March and April figures. Everybody is now expecting the worst case scenario, with a new lockdown, even if not as strict as the previous one. Naturally, this has a negative impact on market expectations, especially for the near future, impacting both the sales and rental markets. New enquiries fell compared to September, showing a retraction from potential demand that might have impact on near future deals."

**RICS Chief Economist, Simon Rubinsohn:** "Despite recent data showing the Portuguese economy expanded by 13.3% in Q3, this still leaves a significant shortfall to make up compared with prior to the pandemic. Unfortunately, new restrictions imposed of late will set the economy back and it seems likely that GDP will end the year around 8% below 2019 levels. Consequently, the labour market is likely to remain under pressure over the coming months, and this could carry negative repercussions for confidence across 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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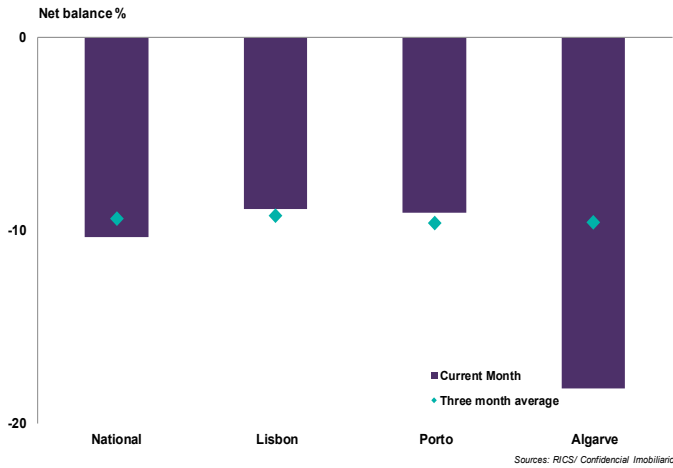
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# Sales Market Charts

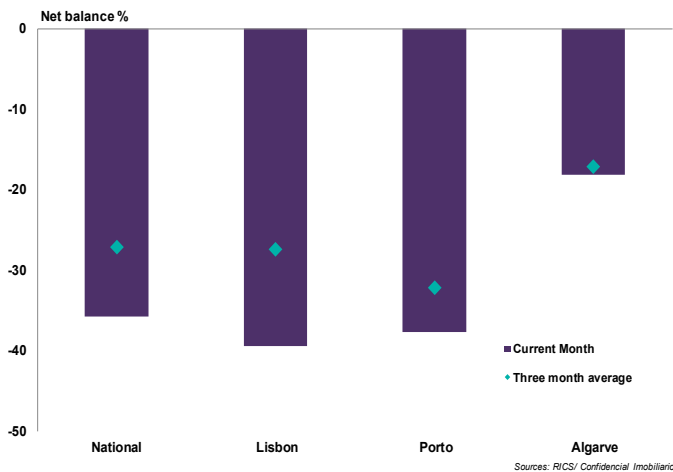
Prices (last three months) by Region



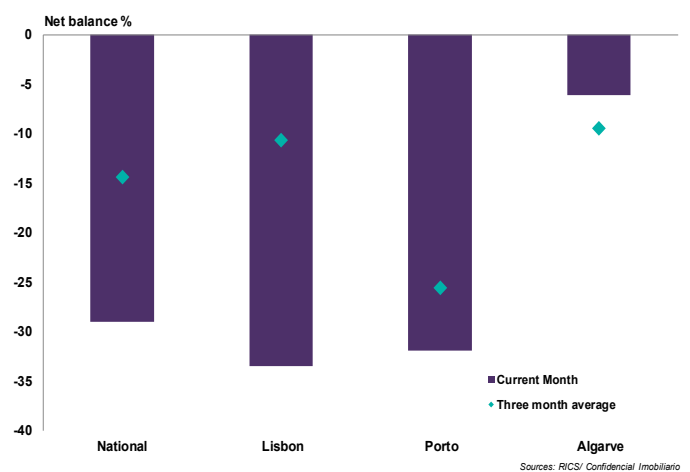
Promised Sales (past month) by Region



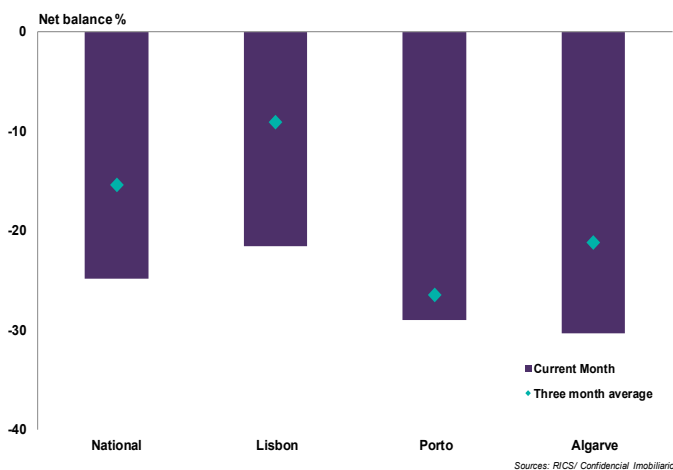
Price Expectations (next three months) by Region



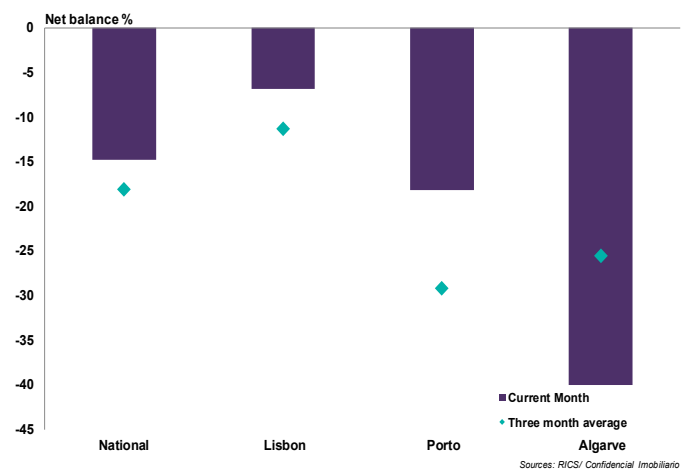
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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## Survey sponsors

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.

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