

November 2022 RICS/Ci Portuguese Housing Market Survey

Price growth grinds to a halt across the housing market

- House prices flatten out at the headline level
- Buyer enquiries and sales continue to slip
- Near-term market expectations remain subdued

Summary:

The November 2022 RICS/Ci PHMS results continue to portray a relatively subdued backdrop across the housing market at present. Indeed, indicators on new buyer demand, agreed sales and new instructions all remain in negative territory, while house price growth has now seemingly ground to a halt on the back of this. Conversely, demand remains firmer across the lettings market, with respondents continuing to see an up-tick in tenant interest.

With respect to new buyer enquiries, a headline net balance of -33% of respondents cited a decline in demand over the November survey period, slightly weaker than a reading of -30% recorded previously. Moreover, new buyer enquiries reportedly declined across all regions covered (Lisbon, Porto and the Algarve) for a fifth month in succession. Alongside this, instructions to sell also remain in decline, evidenced by a net balance of -35% of respondents noting a fall in the number of fresh listings coming to market.

For agreed sales, a headline net balance of -30% of survey participants saw a decline in November. This represents the fifth consecutive month of falling sales volumes, with the pace of decline remaining fairly consistent between September and November (in net balance terms). Looking ahead, near-term sales expectations point to a continued pull-back in activity over the coming three months, posting a net balance of -25%.

Looking at house prices, the aggregate net balance slipped to zero in November, down from a reading of +12% beforehand, and now pointing to a flat picture for prices over the month. This brings to an end a sequence of nineteen consecutive months beforehand in which prices had increased. Going forward, respondents now envisage a generally stagnant trend in house prices at the headline level over the coming year, with the latest net balance coming in at -5% compared to +10% in the previous iteration of the survey. When disaggregated however, contributors based in the Algarve envisage modest price growth at the twelve-month time horizon, while those from Lisbon foresee a flat trend. By way of contrast, respondents in Porto expect house prices to decline over the year ahead.

In the lettings market, a net balance of +29% of contributors saw an increase in tenant demand during November. This is slightly softer than readings of +43% and +37% returned in September and October respectively, but continues to depict some increase in tenant demand nonetheless. At the same time, landlord instructions continue to dwindle, with the mismatch between rising demand and falling supply acting to push rents higher according to a net balance of +31% of survey participants.

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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Ricardo Guimarães, Director of Ci: “The latest results published by INE confirmed the predictions from the SIR which pointed to softly decreasing levels of activity across the market. Despite this, the first 9 months of 2022 were above the same period of 2021. The projection is that 2022 will end at the same level of the previous year, but on a different trajectory. In 2021, the last quarter was the strongest, achieving a record number of sales. In 2022, the 4th quarter is expected to be the weakest. Even so, the real estate agents surveyed seem to have expectations below current market performance, pointing to further falls in the near future.”

Tarrant Parsons, RICS Senior Economist: “Macro headwinds continue to take their toll on sentiment across the Portuguese housing market, with forward looking survey data pointing to a subdued outlook for activity. For the year ahead, the extent to which interest rates need to rise further to curb inflation remains a crucial factor for the market. For the time being, the ECB is still waiting for evidence that price pressures are easing in a sustainable manner before halting the current cycle of monetary policy tightening.”

Chart 1: Sales market indicators

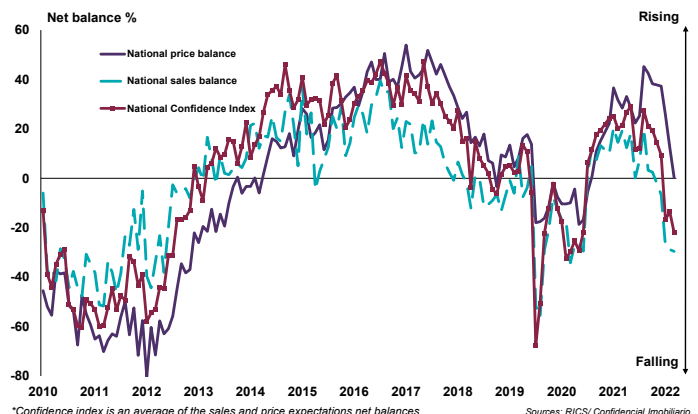
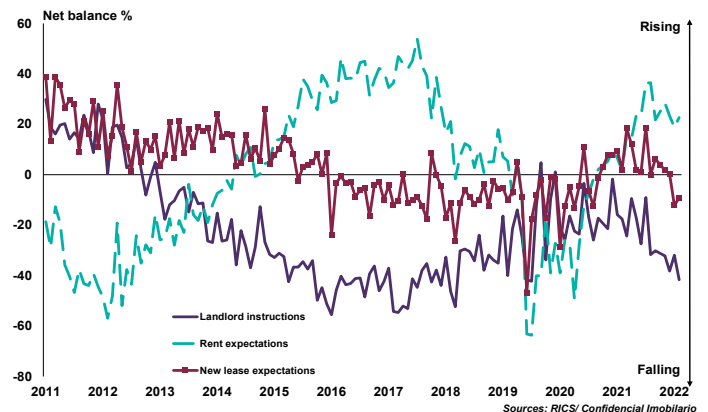
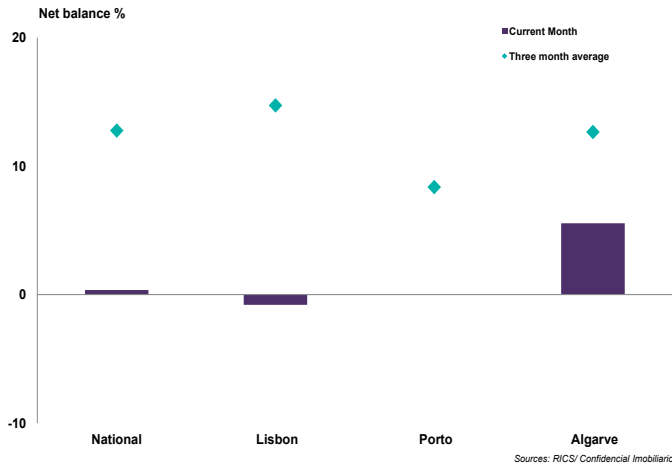


Chart 2: Lettings market indicators

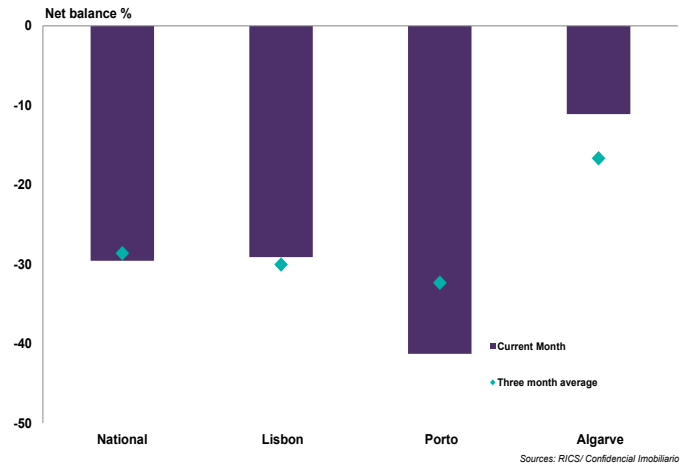


Sales Market Charts

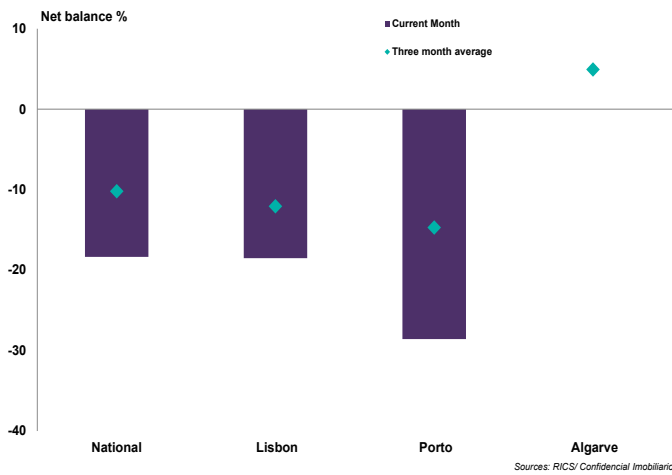
Prices (last three months) by Region



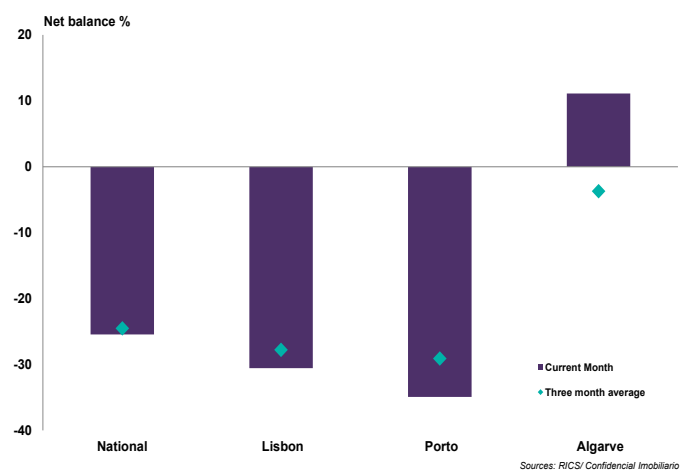
Promised Sales (past month) by Region



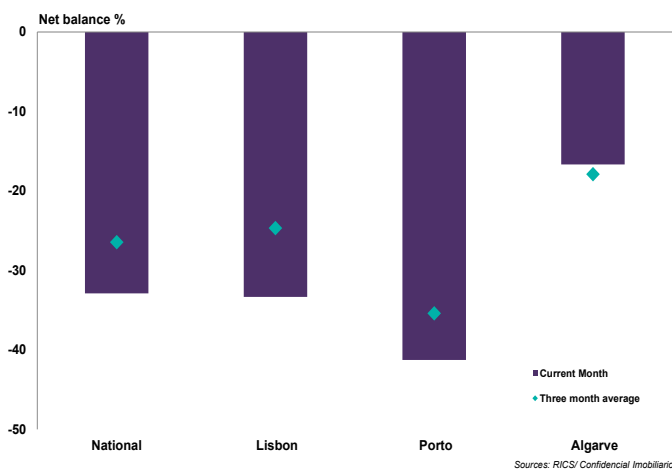
Price Expectations (next three months) by Region



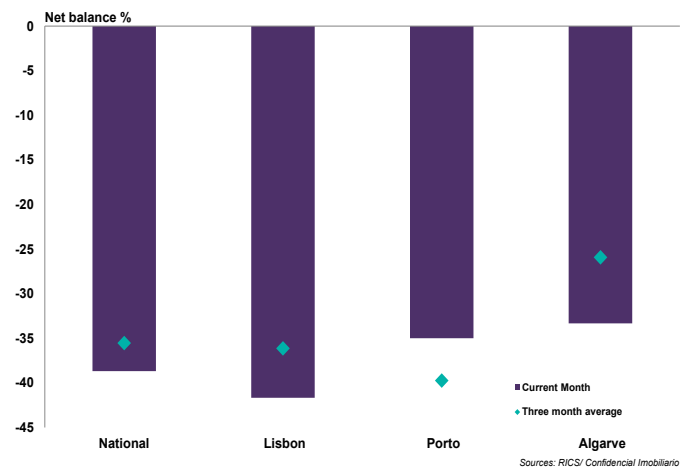
Sales Expectations (next three months) by Region



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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