

## March 2023 RICS/Ci Portuguese Housing Market Survey

### Demand continues to weaken although house price expectations remain resilient

- **Buyer enquiries fall again over the month**
- **House prices still rising but at a slower rate**
- **Landlord instructions remain scarce**

#### Summary:

The March 2023 RICS/Ci PHMS results point towards a continued weakening in activity across the market, with the results for new buyer enquiries and agreed sales in negative territory. The tone in the lettings market remains largely unchanged from recent months, as rising tenant demand continues to be met by a fall in landlord instructions.

At the headline level, a net balance of -30% of respondents reported a decrease in new buyer enquiries over the March survey period, a small decline on February's reading of -27%. When disaggregated across the three regions covered, all areas (Lisbon, Porto and the Algarve) posted negative readings for demand. On the supply side, new instructions also remain in decline, returning a net balance of -23% this month at the headline level (compared to -25% in February).

Meanwhile, the aggregate net balance for agreed sales came in at -10%, which was a little less downbeat than last month's reading of -25%. However, near-term sales expectations portray a slightly more negative picture, with a net balance of -21% of respondents expecting a decline (down from -15% previously). The three-month sales outlook remains in negative territory across Lisbon and Porto, although contributors based in the Algarve are somewhat more optimistic (posting a net balance of +6% for near-term sales expectations).

Looking at house prices, the headline net balance recorded was +7%, marginally softer than the +12% reading recorded in February. Price expectations for the next twelve months were registered at a net balance of +27%. This represents an increase on the previous reading of +20%, and suggests the pricing outlook remains resilient at this stage. With respect to the regional results, moderate house price growth is expected in both Lisbon and the Algarve over the next year. Conversely, expectations for Porto have slipped into stagnant/marginally negative territory, with a net balance reading of -5%.

The Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -17. This is the seventh consecutive month that this reading has been in negative territory, following a year and a half of positive readings throughout 2021 and H1 2022.

For the lettings market, a net balance of +35% of respondents reported an increase in tenant demand in March, which was similar to the reading of +40% in February. Landlord instructions continue to dwindle according to a net balance of -48% of contributors. This has led to an increase in rents over the past month and the expectation is that rents will be driven higher over the coming months.

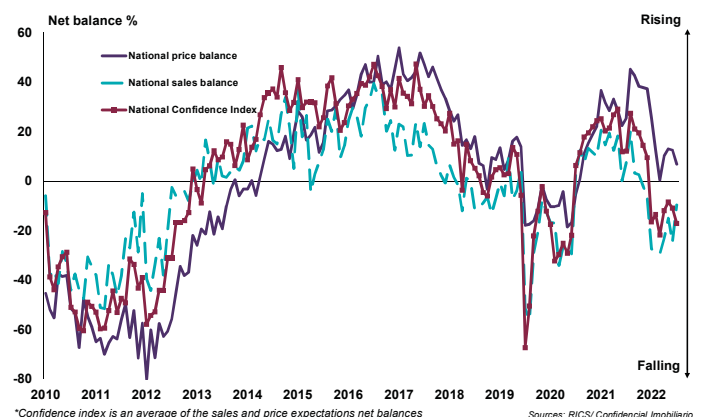
The RICS/Ci Portuguese Housing Market Survey (PHMS) provides a qualitative monthly assessment of the sales and lettings sectors based on around 100 regular responses. The PHMS contains a regional breakdown covering Lisbon, Porto and the Algarve.

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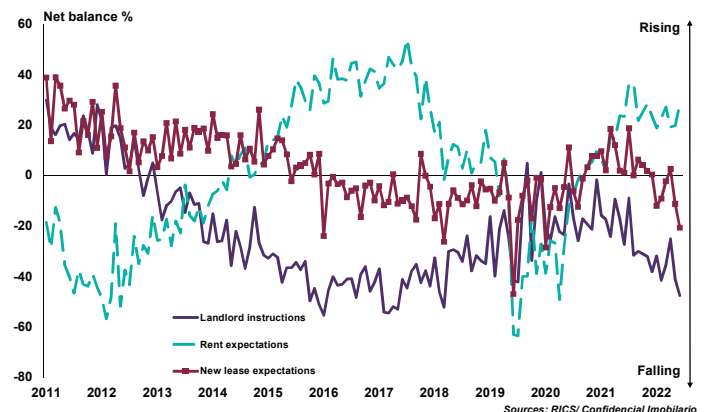
**Ricardo Guimarães, Director of Ci:** "At this stage, several market indicators are starting to confirm price resilience, despite the economic and monetary adversities of recent months. In particular, the sharp rise in interest rates and inflation, for many, opened a potential scenario of price depreciation or collapse. Despite risks still being "just behind the door", the fact is that today the general expectations are of economic and monetary stabilization, especially regarding inflation. This is starting to impact the way agents anticipate prices to evolve, with the additional pressures of higher construction costs and a chronic lack of houses for sale underpinning the market. This is a situation that the Governmental initiative does not seem able to solve."

**Tarrant Parsons, RICS Senior Economist:** "Activity across the Portuguese housing market looks set to remain relatively subdued this year, with many indicators still in negative territory and respondents envisaging a continued fall in sales going forward. Higher mortgage costs will continue to place pressure on demand, a factor that look unlikely to unwind anytime soon with more rate hikes expected from the ECB. Having said that, the lack of supply is still underpinning prices, with survey participants anticipating average house prices will be higher in a year's time."

**Chart 1: Sales market indicators**



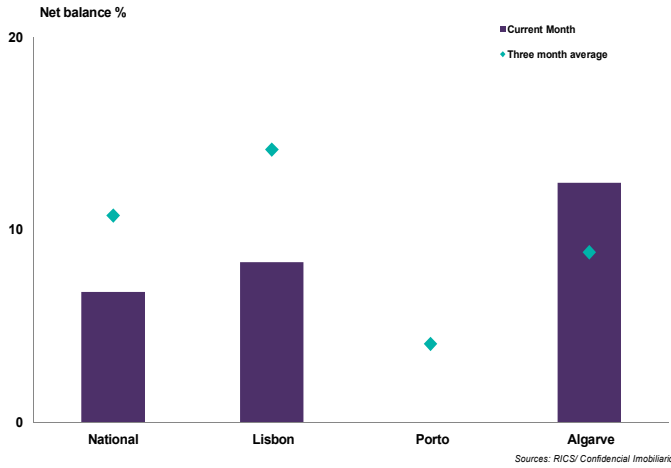
**Chart 2: Lettings market indicators**



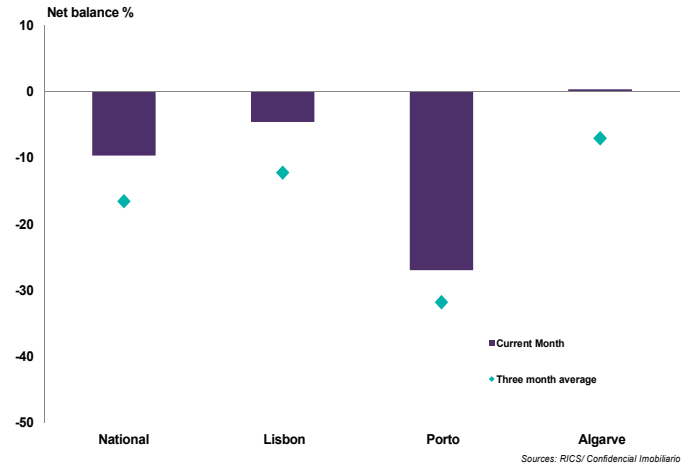
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# Sales Market Charts

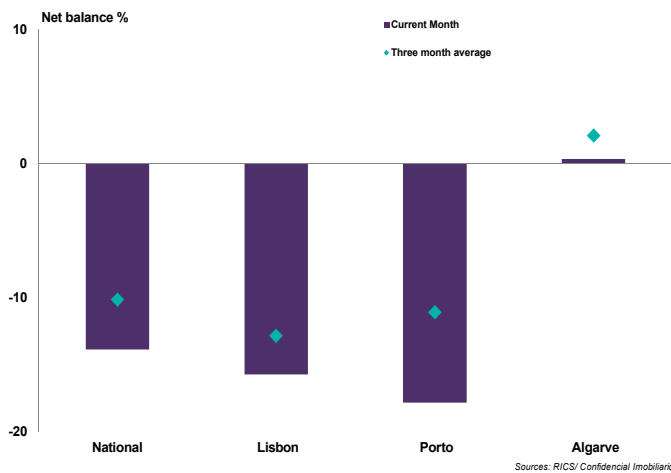
**Prices (last three months) by Region**



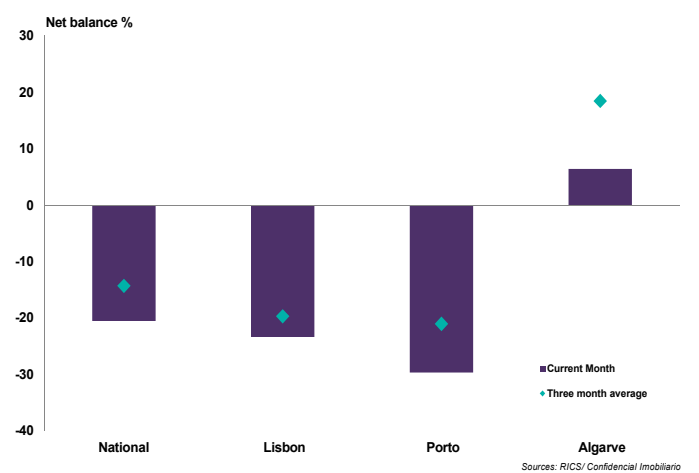
**Promised Sales (past month) by Region**



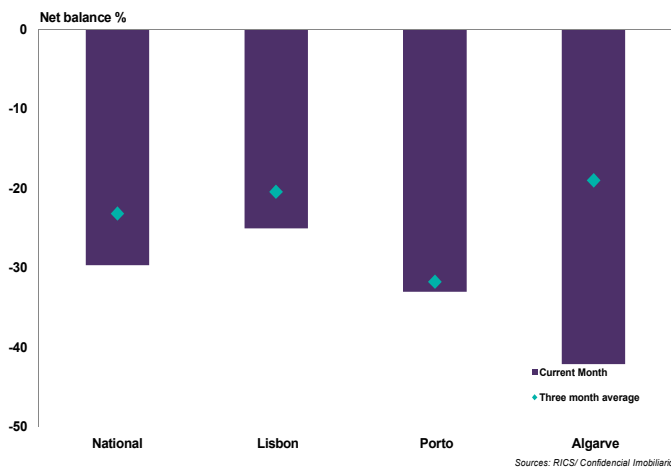
**Price Expectations (next three months) by Region**



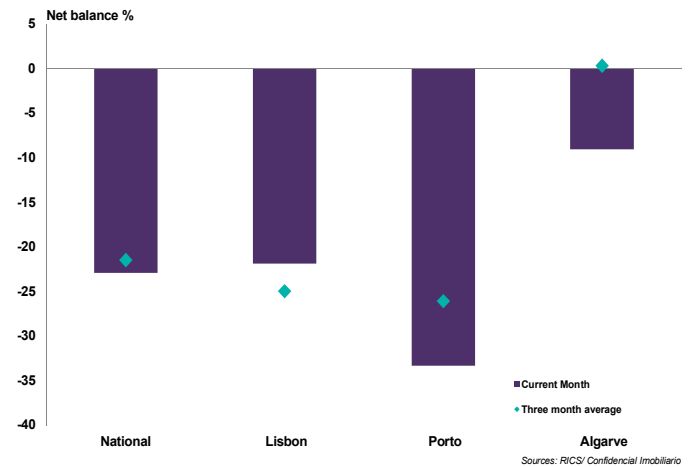
**Sales Expectations (next three months) by Region**



**New Buyer Enquiries (past month) by Region**



**New Instructions to Sell (past month) by Region**



# Information

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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.

## 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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