

## April 2023 RICS/Ci Portuguese Housing Market Survey

### Near-term sales outlook remains subdued

- Sales indicator slides further into negative territory
- House prices expected to continue to rise
- Demand for rentals increases

#### Summary:

The April 2023 RICS/Ci PHMS results still point to a subdued backdrop across the sales market in terms of activity, with indicators on new buyer enquiries and agreed sales remaining negative. The lettings market on the other hand continues to display solid demand trends which, combined with a shortfall in supply, are driving rental prices higher.

With respect to demand across the sales market, the headline new buyer enquiries indicator returned a net balance of -31% in April, more or less in-line with the reading of -30% in March. As such, this metric continues to signal a downturn in buyer demand, with the latest reading marking the twelfth consecutive month in negative territory. When disaggregated at a regional level, the readings are negative across the board. That said, while Lisbon saw a further deterioration in April, the latest buyer demand reading for the Algarve turned less downbeat (-19% this month compared to -42% in the previous month). Back at the headline level, new instructions also remain subdued, with a net balance of -20% of respondents citing a fall in April.

For agreed sales, the headline net balance came in at -26%, weaker than the previous month's reading of -10%. Looking ahead, the near-term sales expectations indicator remains stuck in negative territory, posting a net balance of -9%. Within this, the sales outlook appears negative for both Lisbon and Porto. However, the picture across the Algarve is a little more upbeat, evidenced by a net balance of +19% of respondents expecting an increase in sales over the coming three months (up from a reading of +6% in March).

For house prices, the headline net balance was recorded at +13% in April, marginally higher than the previous month's reading of +7%. Regarding the next twelve months, expectations remain firm, with a net balance of +28% of respondents envisaging an increase in house prices (compared to +27% last month). When disaggregated, the Algarve displays the strongest expectations for house prices, posting a net balance reading of +50%. In Porto, expectations are more modest, displaying a net balance of +9%.

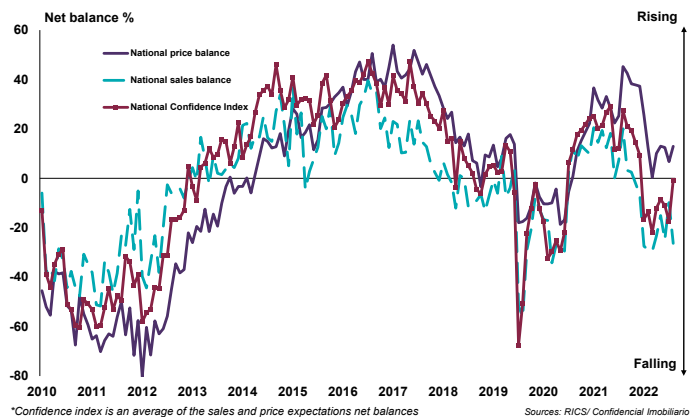
The Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -1. Although April's reading is indicative of a relatively flat overall market backdrop coming through, this represents a significantly less downbeat view relative to last month, when the index stood at -17.

In the lettings market, tenant demand increased according to a net balance of +40% of survey participants (similar to a figure of +35% in March). Meanwhile, the reading for new landlord instructions remains in negative territory at -24%. As a result, rents continue to be squeezed higher and are anticipated to rise further in the near-term.

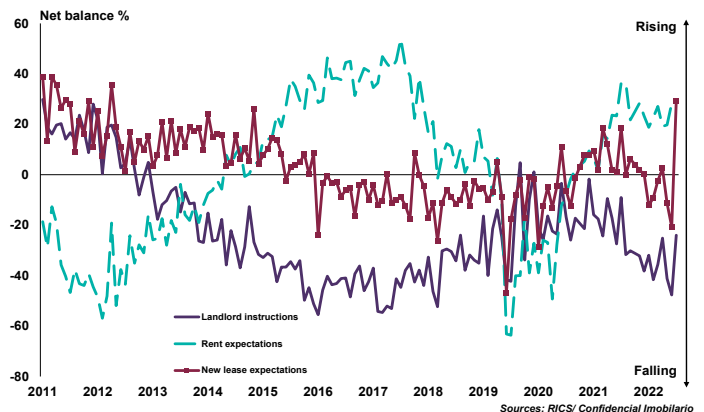
**Ricardo Guimarães, Director of Ci:** "For the agents surveyed, uncertainty and even confusion (resulting from the public initiative "Mais Habitação") are affecting both investors and buyers. This is keeping the pressure on transactions volumes, which are still below 2022 levels. This trend adds to the adverse conditions in the credit market, which then moves demand to the leasing market. As a result, rents are seeing additional inflationary pressure. At the same time, and even benefiting from the rise in rents, transaction prices remain on an upward path, a result that has also arisen from the lack of supply in the market."

**Tarrant Parsons, RICS Senior Economist:** "The Portuguese economy expanded by a solid 1.6% during Q1, leaving GDP 4.3% higher than before the pandemic. Looking ahead, economic growth across the country is now expected to come in close to 2.5% for 2023 as a whole, comfortably above the average for the euro area in aggregate. Despite the generally resilient economic backdrop overall, higher interest rates continue to take their toll on housing market activity, with near-term expectations continuing to portray a subdued outlook."

**Chart 1: Sales market indicators**



**Chart 2: Lettings market indicators**



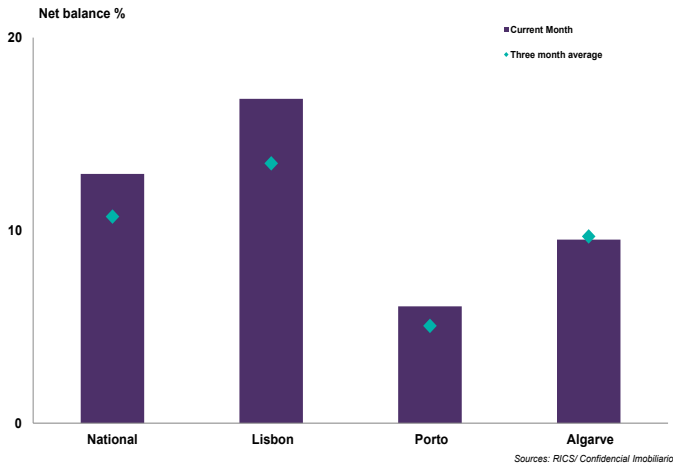
The RICS/Ci Portuguese Housing Market Survey (PHMS) provides a qualitative monthly assessment of the sales and lettings sectors based on around 100 regular responses. The PHMS contains a regional breakdown covering Lisbon, Porto and the Algarve.

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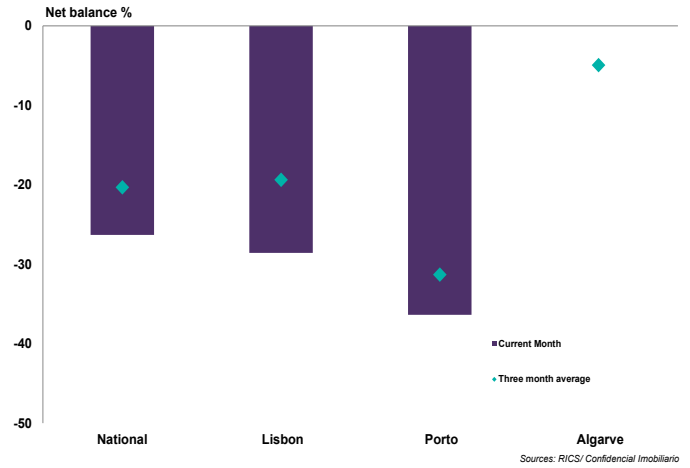
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# Sales Market Charts

Prices (last three months) by Region



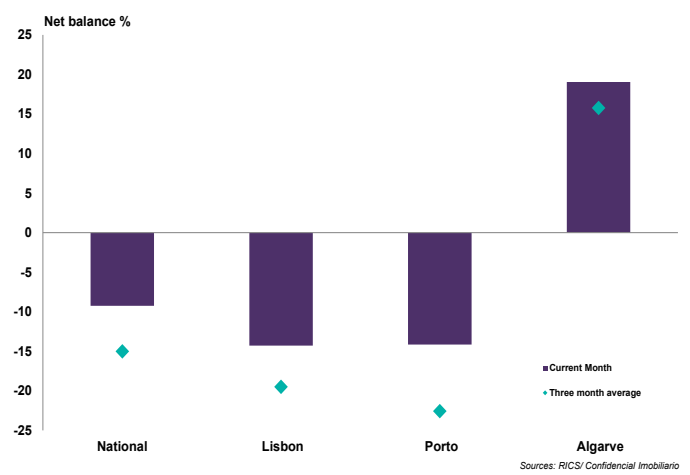
Promised Sales (past month) by Region



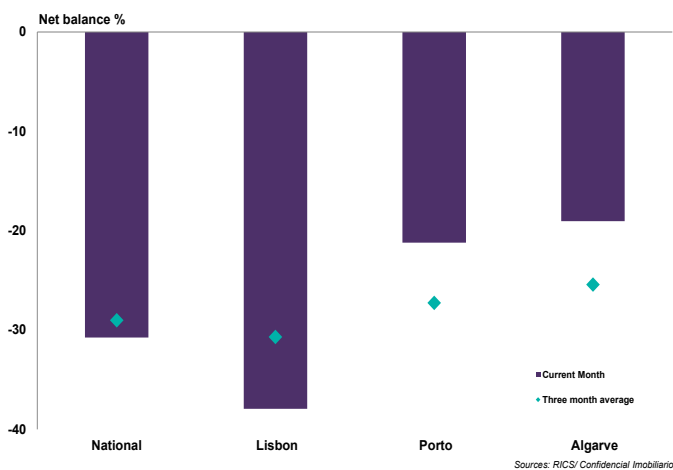
Price Expectations (next three months) by Region



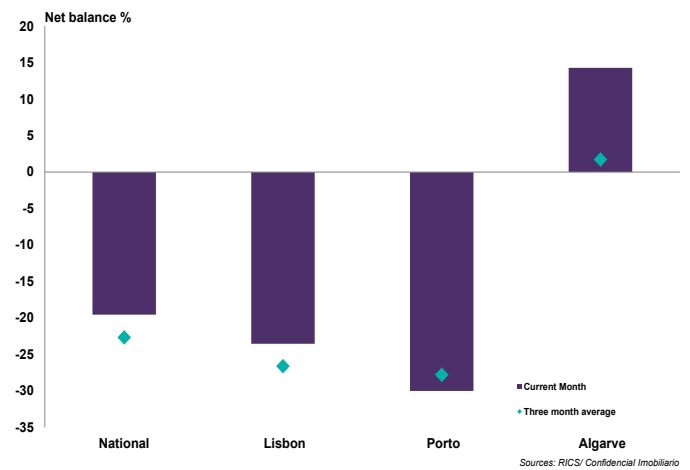
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



# Information

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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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