

December 2022 RICS/Ci Portuguese Housing Market Survey

A subdued outlook for the housing market

- **House price net balance returns to positive territory**
- **Buyer enquiries and sales continue to decline**
- **Demand remains solid in the lettings market**

Summary:

The December 2022 RICS/Ci PHMS results portray a still soft backdrop in terms of momentum across the housing market. Indicators for new buyer enquiries, new instructions, and agreed sales all remain negative. However, the survey metric on house prices and price expectations have both moved back into positive territory.

With respect to new buyer enquiries, a headline net balance of -35% of respondents cited a decline in demand over the December survey period (slightly weaker than the reading of -33% last month). Moreover, new buyer enquiries declined across all regions covered in the survey (Lisbon, Porto and the Algarve). Alongside this, new instructions also declined, posting a reading -41% in December (down from a net balance of -39% previously).

For agreed sales, the headline net balance came in at -23% in December, which was a little less downbeat than November's figure of -30%. Although December's reading was slightly less negative than the previous month, it still points to a weakening trend in sales volumes. Looking ahead, near-term sales expectations suggest activity will remain subdued in the coming three months, posting a net balance of -16%. The continued negative outlook for sales is likely a reflection of the market responding to the tightening of monetary policy over recent months.

Looking at changes in house prices, the aggregate net balance increased to a figure of +10%, up from a previous reading of zero in November. The picture surrounding price expectations for the next twelve months is also more positive, with the reading increasing from -5% in November to +20% in December. When disaggregated, respondents in Lisbon and the Algarve expect modest price growth for the coming year, however, for Porto, a flat trend in prices is envisaged.

The Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -12, with some of the negativity diminishing relative to November's reading of -22. When broken down, the moderating in this result is largely due to the outlook for house prices picking up somewhat.

In the lettings market, a net balance of +33% of respondents saw an increase in tenant demand in December, slightly stronger than the previous reading of +29%. At the same time, the reading for landlord instructions eased remained firmly negative at -36% in December. There continues to be a large mismatch between demand and supply in the lettings market, with these conditions combining to squeeze rents higher over the month 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: "At the end of the year, the market felt some impact on demand dynamics as a result of interest rate increase. Fewer buyers are eligible for new mortgages and need to change their buying decisions, identifying other houses, in cheaper locations. Nevertheless, because of the lack of houses available for sale, price trends are not being affected. This is already starting to be felt by agents, with price expectations recovering across the market."

Tarrant Parsons, RICS Senior Economist: "Feedback across the Portuguese housing market remains subdued, with activity continuing to fall, although, interestingly, the outlook for price growth has crept back into positive territory. The wider economic climate is still challenging for most of Europe, even if the recent fall in energy prices should provide some relief when it comes to inflationary pressures. Any further monetary policy tightening from the ECB will likely continue to dampen demand prospects across the residential market, albeit fewer/shallower rate hikes may now be deemed necessary on account of the recent price falls in energy markets."

Chart 1: Sales market indicators

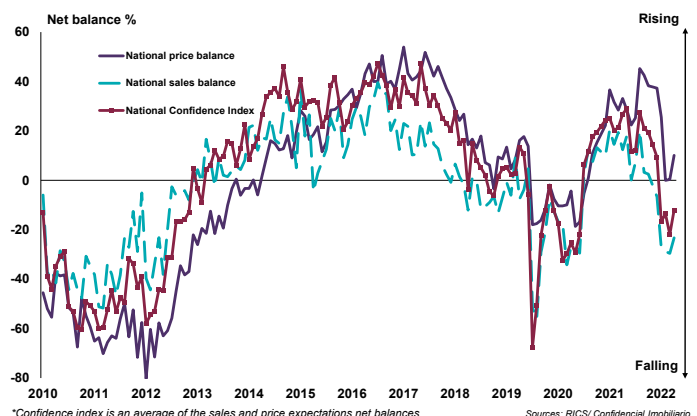
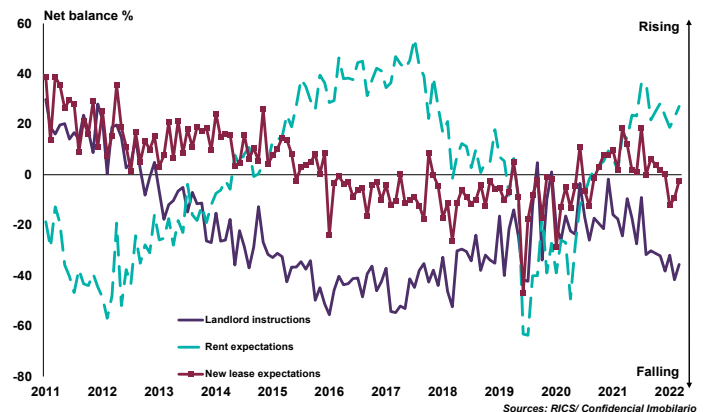


Chart 2: Lettings market indicators



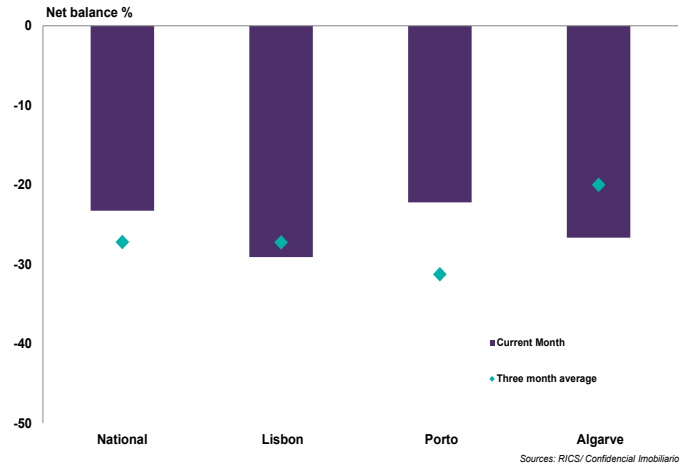
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Sales Market Charts

Prices (last three months) by Region



Promised Sales (past month) by Region



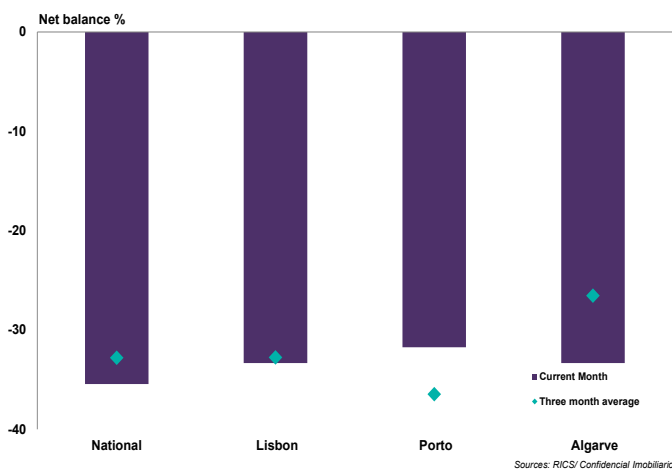
Price Expectations (next three months) by Region



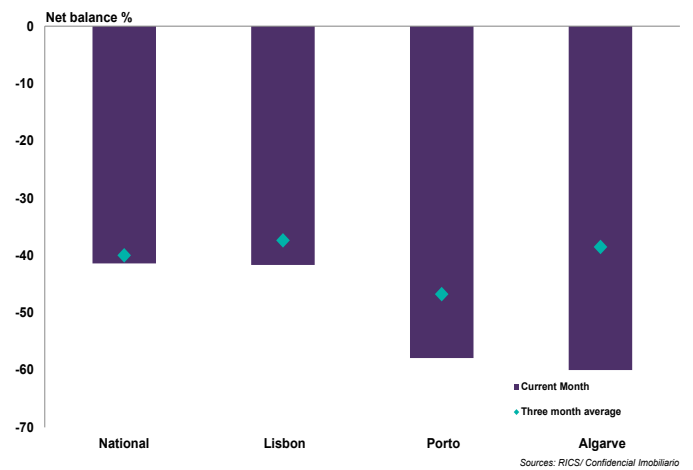
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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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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