February 2023 RICS/Ci Portuguese Housing Market Survey

Sales market outlook still subdued

- **New buyer enquiries decline over the month**

- **Sales expectations deteriorate somewhat**

- **A significant decline in landlord instructions cited**

Summary:

The February 2023 RICS/Ci PHMS results portray a more downbeat assessment across most sales market indicators when compared to previous month. Indeed, the latest readings for new buyer enquiries, new instructions and agreed sales all turned more negative this time around. By way of contrast, demand in the lettings market remains strong, continuing to outweigh supply.

Starting with new buyer enquiries, a headline net balance of -27% of respondents cited a decline in demand over the February survey period (this reading was down on January's figure of -13%). When disaggregated, the feedback on buyer demand fell into negative territory in both Lisbon and the Algarve from a relatively flat readings the month before. In Porto the latest reading remained clearly negative albeit slightly less so than in last month's results. In terms of supply, the new instructions indicator appeared more negative with a reading if -25%, down from the previous months reading of -16%.

When it comes to agreed sales, the headline net balance was -25% for February (representing a decline on January's reading of -15%), thereby pointing to a further weakening in sales volumes. Looking ahead, sales expectations suggest activity will remain under pressure over the next three months, with a net balance reading of -15%.

For house prices, the aggregate net balance was broadly unchanged compared to last month (+12% vs +13% previously). As such, this signals that a slight upward trend remains in place. Moreover, expectations for the next twelve months are still in positive territory, posting a net balance reading of +20% at the headline level. With respect to the regional data, modest price growth is expected across Lisbon and the Algarve with respective net balance readings of +26% and +29%. However, for Porto, twelve-month expectations are flat (net balance zero), although this is something of an improvement relative to the negative reading of -10% seen last month.

The Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -11 in February, marginally more negative than the reading reported in January of -9.

In the lettings market, a net balance of +40% of respondents saw an increase in tenant demand during February, which was very similar to the reading of +41% from the previous month. Meanwhile, landlord instructions fell sharply according to a net balance of -41% of respondents (down from -25% in January). As a result of this imbalance, respondents continue to note an increase in rental prices (net balance of +35% compared to +44% in January).

Ricardo Guimarães, Director of Ci: "Instability and uncertainty are some of the impacts felt from the new package of housing measures announced by the Government. The package "Mais Habitação" aims to increase the number of houses on the market, both for sale and rent. However, the specific measures in question will more likely have the inverse impact, reducing market activity. In a moment when the lack of supply is the main obstacle to address, market participants now expect both a price increase and additional pressure reducing the number of transactions."

Tarrant Parsons, RICS Senior Economist: ''The outlook for the Portuguese economy (as is the case across much of Europe) remains relatively subdued for the year ahead. Although an outright recession is not expected, growth is likely to remain subdued in the face of higher borrowing costs and still elevated inflation. In particular, the prospect of further monetary policy tightening from the ECB in the months ahead (despite recent concerns over global banking conditions) appears set to constrain activity in the housing market for a while longer."
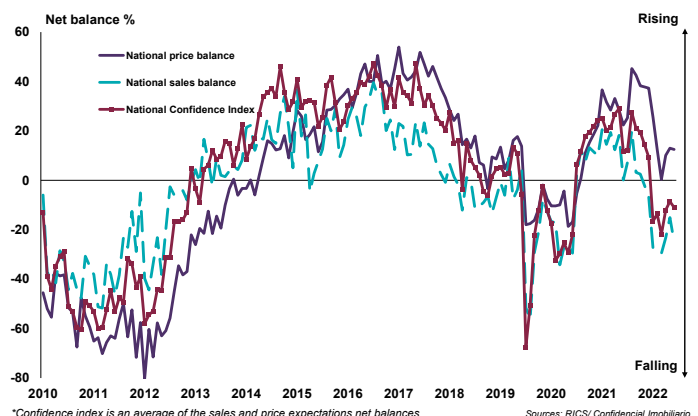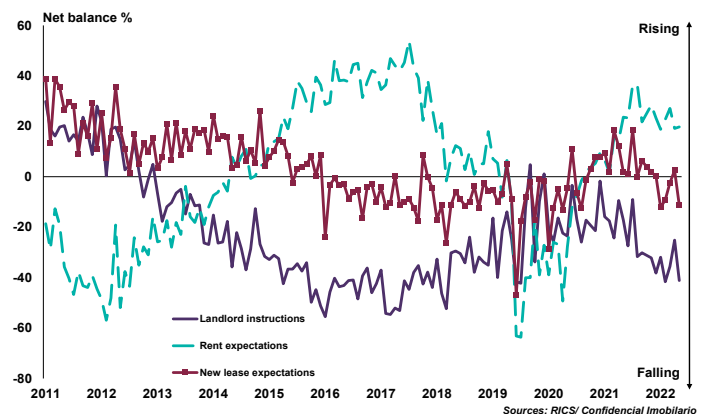
Chart 1: Sales market indicators

*Confidence index is an average of the sales and price expectations net balances

Sources: RICS/ Confidencial Imobiliario

Chart 2: Lettings market indicators

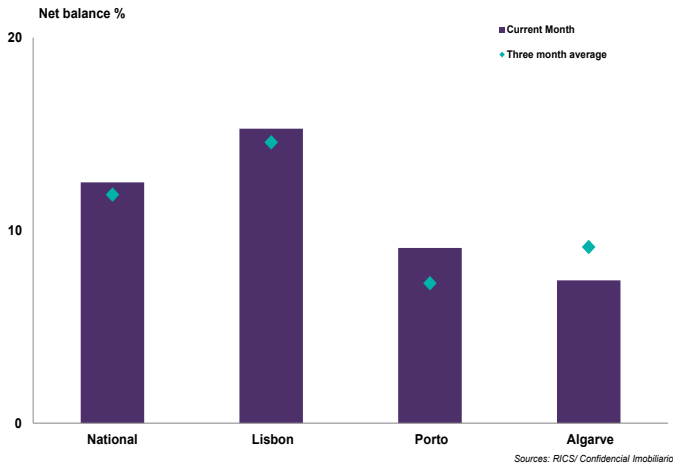*Sources: RICS/ Confidencial Imobiliario*

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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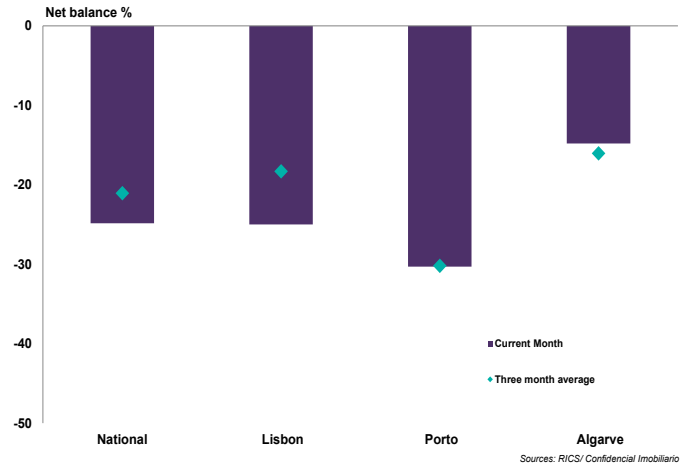
Sales Market Charts

Prices (last three months) by Region

Net balance %

■ Current Month
♦ Three month average

Sources: RICS/ Confidencial Imobiliario

Promised Sales (past month) by Region

Net balance %

■ Current Month
♦ Three month average

Sources: RICS/ Confidencial Imobiliario

Price Expectations (next three months) by Region

Net balance %

■ Current Month
♦ Three month average

Sources: RICS/ Confidencial Imobiliario

Sales Expectations (next three months) by Region

Net balance %

■ Current Month
♦ Three month average

Sources: RICS/ Confidencial Imobiliario
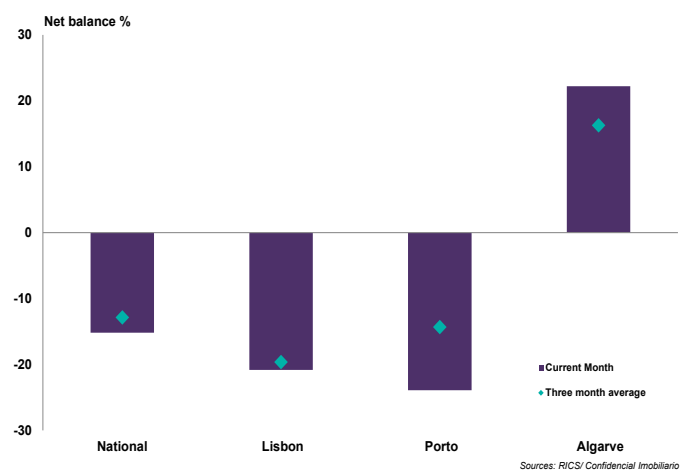
New Buyer Enquiries (past month) by Region

Net balance %

■ Current Month
♦ Three month average

Sources: RICS/ Confidencial Imobiliario
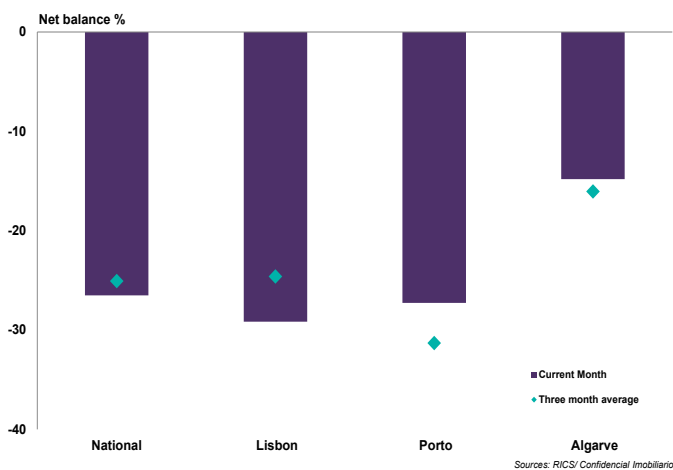
New Instructions to Sell (past month) by Region

Net balance %

■ Current Month
♦ Three month average

Sources: RICS/ Confidencial Imobiliario
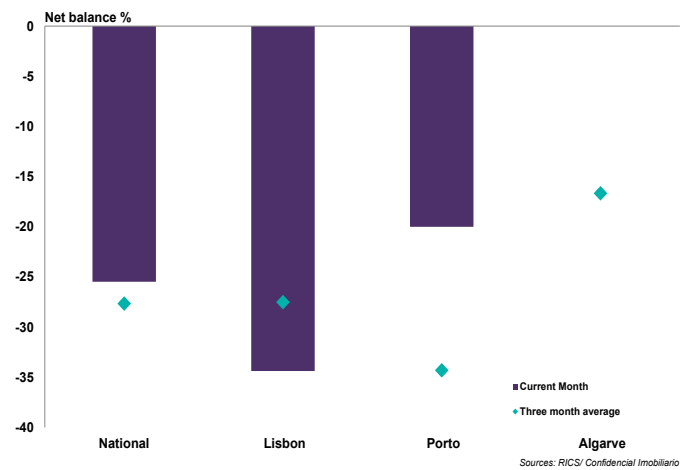
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About Ci

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.

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

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