

January 2023 RICS/Ci Portuguese Housing Market Survey

Momentum remains soft across the sales market

- Indicators on buyer enquiries and sales still negative
- House prices reportedly edging higher
- Demand remains firm in the lettings market

Summary:

The January 2023 RICS/Ci PHMS results continue to portray a subdued backdrop across the housing market at present, although the recent negative trend has eased somewhat across many indicators. Indeed, although new buyer enquiries, agreed sales, and sales expectations remain in negative territory, the latest readings are a little less downbeat than previously.

With respect to new buyer enquiries, a headline net balance of -13% of respondents cited a decline in demand over the January survey period. That said, this reading was less downcast than in the previous month (-35%), albeit still negative. When disaggregated, new buyer enquiries were flat in the Algarve, having fallen last month, while buyer demand continued to slip in Porto and Lisbon. In terms of supply, the new instructions indicator also turned less negative, posting a net balance of -16% in January compared to a net balance of -41% in December).

For agreed sales, the headline net balance was -15% for January, which was a little less downbeat relative to the December reading of -23%. Near-term sales expectations suggest that activity will remain marginally in decline for the coming three months, with a net balance reading of -7%.

Looking at house prices, the aggregate net balance increased slightly to return a reading of +13%, up from a figure of +10% the previous month. Expectations for the coming year remain in positive territory, with a net balance of +21% of respondents anticipating an increase in prices (+20% in December). When disaggregated, modest price growth is expected across the Algarve and Lisbon over the next year, however, for Porto, expectations have fallen slightly into negative territory, with a net balance reading of -10%.

The Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -9, representing a continued trend of diminishing negativity from November and December last year. When broken down, the moderating in this result this time is largely due to the near-term sales outlook turning a little less downbeat.

In the lettings market, a net balance of +41% of respondents saw an increase in tenant demand in January (an increase on December's readings of +33%). Landlord instructions remain in negative territory, with a reading of -25%, although this was slightly moderated from last month's reading of -36%. As a result of this imbalance, a net balance of +44% of survey participants reported higher rents (up from a reading of +31% the previous month).

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.

To be put on the automatic press release distribution list for receipt on the morning of the embargo date e: tparsons@rics.org

Ricardo Guimarães, Director of Ci: It is clear that, for all agents following the market, the lack of supply is constraint number one, two and three, leading to price increases across the sales and rental markets. This survey's results refer to a time before the new measures were announced by the government, meaning those policies have not yet impacted market sentiment and expectations. On that front, the comments left by agents stress the importance of increasing the number of houses for sale/lease in order to respond to demand pressures. This is particularly felt in high-end markets from international buyers, and in secondary markets from national middle-class families."

Tarrant Parsons, RICS Senior Economist: "Activity across the Portuguese housing market has remained subdued at the start of this year, with many indicators still in negative territory. That said, prices have now resumed on an upward trajectory. With the current interest rate hiking cycle not yet over, the market will continue feel the effects of tighter policy in the months ahead. On a more encouraging note however, the macro newsflow across Europe does seem to have brightened of late, with forecasts for a recession now being scaled back."

Chart 1: Sales market indicators

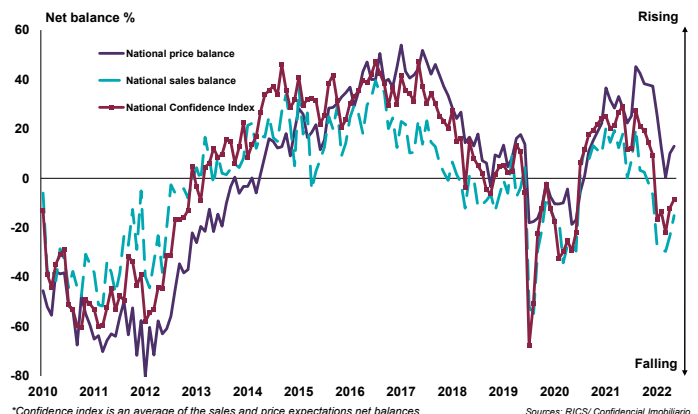
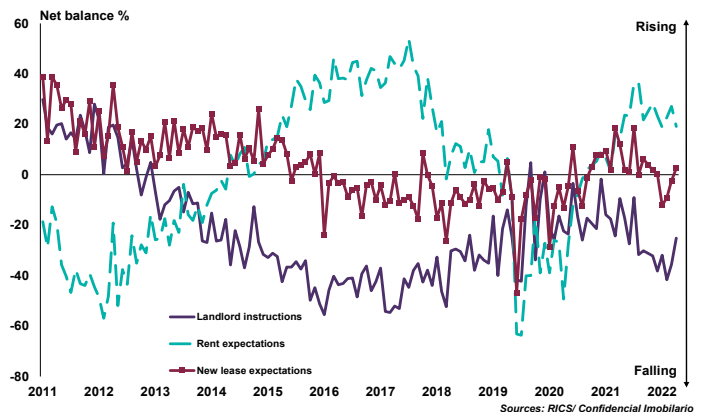


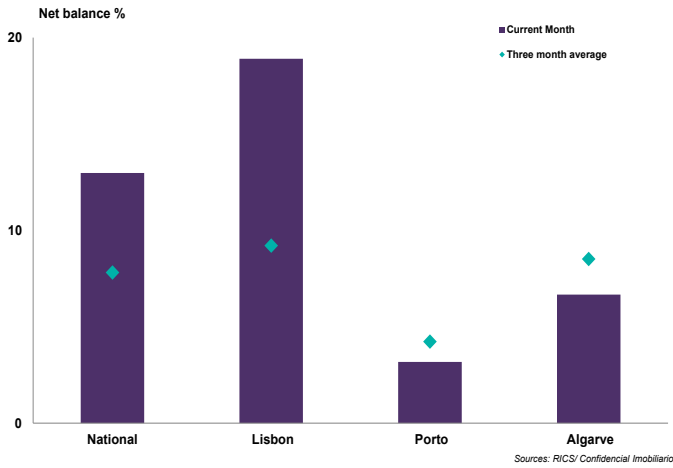
Chart 2: Lettings market indicators



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Sales Market Charts

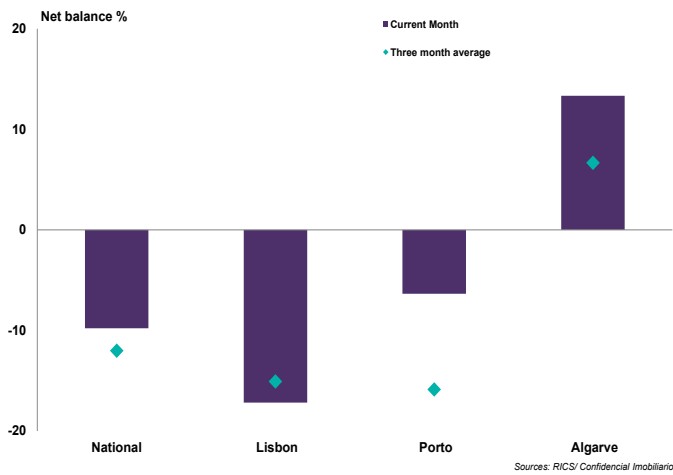
Prices (last three months) by Region



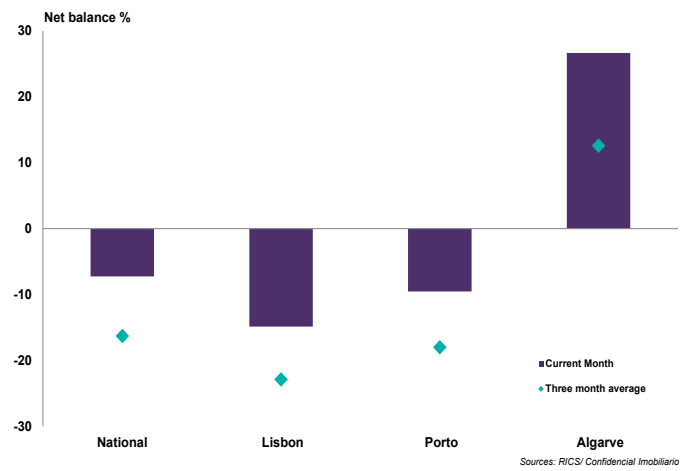
Promised Sales (past month) by Region



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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