Ci Confidencial Imobiliário

RICS®

June 2023 RICS/Ci Portuguese Housing Market Survey

Activity across the housing market weakens noticeably over the month

- **New buyer demand declines further**
- **House prices growth stalls**
- **Landlord instructions continue to dwindle**

Summary:

The June 2023 RICS/Ci PHMS results indicate that activity is weakening across the market. This month, measures on new buyer enquiries and agreed sales fell further from already negative readings in the previous results. The lettings market meanwhile is still facing an imbalance between supply and demand, which continues to drive up rental prices.

At the headline level, a net balance reading of -36% of respondents reported a decrease in new buyer enquiries over the latest survey period. This was a steeper decline in comparison to May's reading of -19%. When disaggregated across the three different regions, Lisbon had the most negative reading at -40%, this was closely followed by the Algarve at -37%, and then Porto at -30%. On the supply side, new instructions saw a continued fall, posting a net balance reading of -30% this month at the headline level (compared to -26% in May).

When it comes to agreed sales, the aggregate net balance was -37%, more downbeat than May's reading of -19%. Alongside this, near-term sales expectations also portray a more negative picture, with a net balance reading of -22% of respondents expecting a decline in the next three months (down from -13% the previous month). Looking at three-month sales expectations for the different regions, Lisbon returned a net balance reading of -22%, Porto of -28%, and the Algarve slipped into negative territory with a reading of -7%.

Looking at house prices, the headline net balance reading slipped into neutral territory at -1%, down from +15% in May. Price expectations for the year ahead recorded a net balance of +21%, which was an easing of the previous months reading of +39%. When disaggregated, Lisbon exhibits the strongest net balance at +34%, with the Algarve posting a figure of +22%. Meanwhile, Porto experienced a significant decline into negative territory, with a net balance reading of -10% this month (down sharply on +26% the previous month).

The weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -17 in June, falling from -8 in the previous results. This is now the eighth consecutive quarter this measure has been in negative territory.

Meanwhile in the lettings market, a net balance of +24% of respondents reported an increase in tenant demand in June, albeit this was an easing on the figure of +56% reported in May. Landlord instructions continued to decline according to a net balance of -39% of respondents. As such, this continues to add to the ongoing imbalance between supply and demand in the rental market and is expected to drive rents higher over the coming months.

Ricardo Guimarães, Director of Ci: "After some marginal improvements over recent months, market sentiment regarding demand deteriorated over the latest survey period, reaching levels only seen during the pandemic. This is explained by some agents as a result of several different factors. One, maybe the most important, is the path for interest rates, which is limiting the financial capacity for a substantial portion of potential buyers (especially youngsters). As a second factor, the political measures put in place by the Government have spread uncertainty and instability among investors. Expectations for the near future are less negative. However, some price correction is anticipated."

Tarrant Parsons, RICS Senior Economist: "Higher mortgage rates continue to weigh on demand across the residential sector, with the recent shift in monetary policy expectations (suggesting higher interest rates for longer) leading to a further tightening in credit conditions of late. This has been reflected in falling activity within the housing market, while house price growth appears to have moderated significantly on the back of recent conditions."
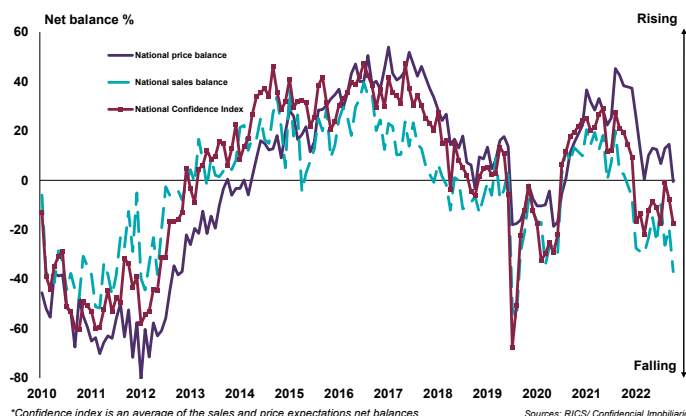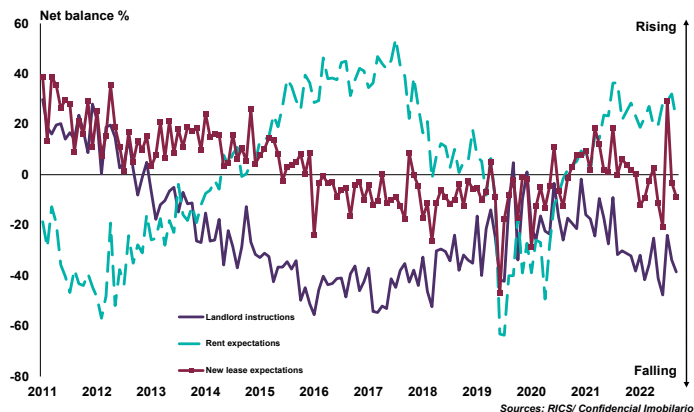
Chart 1: Sales market indicators

Confidence index is an average of the sales and price expectations net balances
Sources: RICS/ Confidencial Imobiliário

Chart 2: Lettings market indicators

Sources: RICS/ Confidencial Imobiliário

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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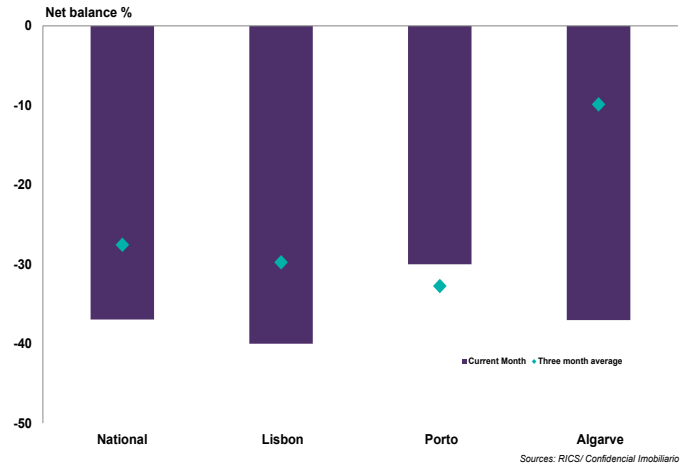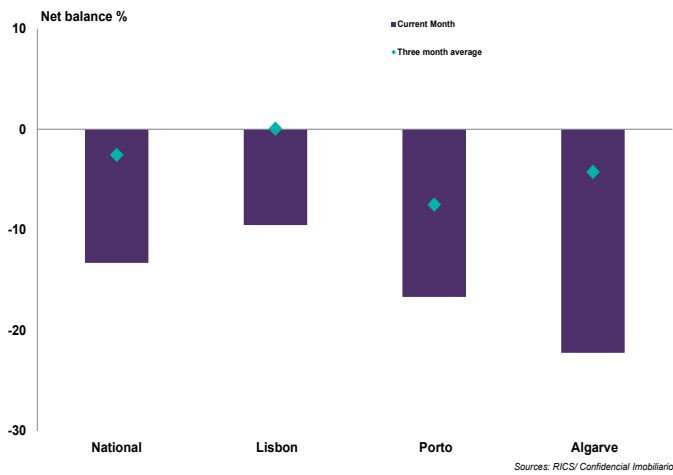
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Sales Market Charts

Prices (last three months) by Region

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
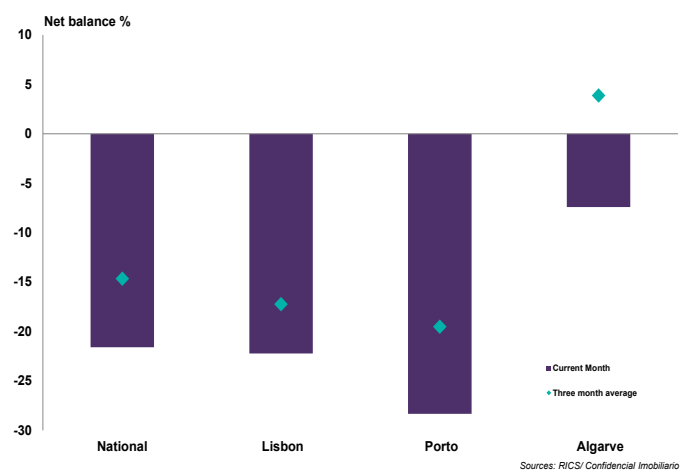
New Buyer Enquiries (past month) by Region

Net balance %

■ Current Month
♦ Three month average

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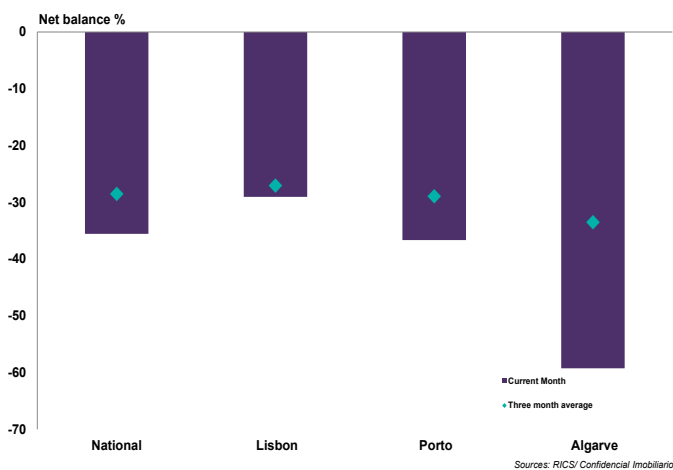
New Instructions to Sell (past month) by Region

Net balance %

■ Current Month
♦ Three month average

Sources: RICS/ Confidencial Imobiliario
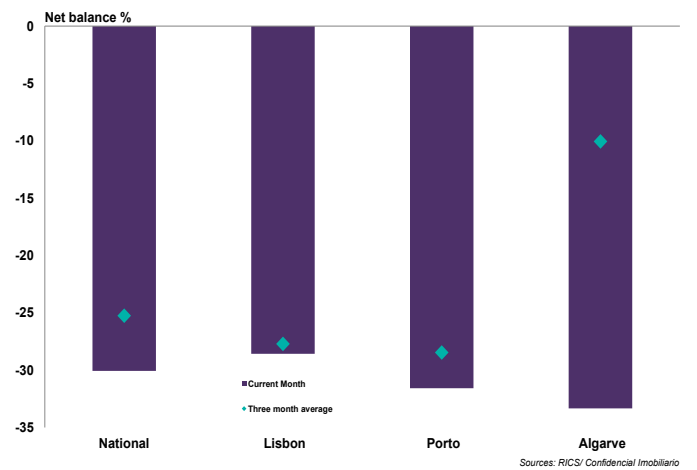
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About RICS

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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