

September 2020 RICS/Ci Portuguese Housing Market Survey

Sales expectations soften slightly

- Activity indicators remain negative
- Sales expectations weaken over the month
- Tenant demand continues to rise modestly

Summary:

The September 2020 RICS/Ci PHMS results remain consistent with a generally subdued backdrop across the sales market, as consumer confidence continues to be negatively impacted by the pandemic. Nevertheless, in the lettings market, demand does appear to be recovering, with feedback pointing to a second successive monthly improvement.

At the headline level, a net balance of -11% of respondents cited a fall in new buyer enquiries during September. This is more or less unchanged from the reading of -10% posted last month and continues to signal generally soft momentum behind buyer demand at present. When looking at the regional breakdown, new buyer enquiries were broadly flat in Lisbon, while both Porto and the Algarve continue see a negative trend in demand. Alongside this, new instructions coming onto the market also remain in decline, evidenced by a net balance of -16% of respondents noting a deterioration (net balance was -23% previously).

A headline net balance of -17% of contributors saw a monthly fall in agreed sales this time round, with the latest figure marginally weaker than -13% returned in August. Looking ahead, sales expectations softened to post a reading of -13%, compared -1% previously. In fact, this latest figure is the weakest for the near term expectations series since April.

The picture around house prices has seen little change over recent months, with a net balance of -10% of survey participants seeing a decline at the headline level in September (compared to a net balance of -7% in August). For the coming twelve months, contributors are expecting around a -1% decline in house prices at the headline level. Across the regions, expectations are slightly more resilient in Lisbon and marginally weaker across Porto and the Algarve.

The national confidence index (a combined measure incorporating near term expectations on sales and prices) slipped back to -18 this month, down from -12 previously.

In the lettings market, an increase in tenant demand was cited by a net balance of +16% of contributors. This marks the second consecutive mostly pick-up, albeit the pace of growth appears relatively modest. Nevertheless, for the coming three months at least, rents are expected to remain in decline.

Ricardo Guimarães, Director of Ci: “Market data is consistent with the view that aggregate prices are stable and activity, measured by the number of transactions, is recovering. Nevertheless, this general framework is composed by very different market performances, segment by segment, and location by location. Specifically in central markets, previously oriented to tourist uses, both demand and prices are compressed. The same with some high-end product, oriented to international demand. Therefore, despite the market recovery, sentiment is conditioned and driven by uncertainty over the future.”

RICS Chief Economist, Simon Rubinsohn: “The escalating number of virus cases emerging across Europe is adding further pressure to the economic outlook, with new measures imposed to contain the spread likely to hamper the recovery in the final quarter of the year. Consequently, this is likely to have negative implications for the housing market, which has been reflected by a slightly more cautious set of expectations returned in the latest survey.”

Chart 1: Sales market indicators

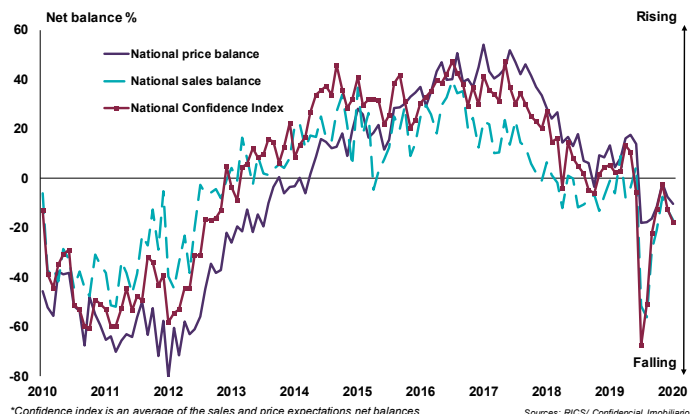
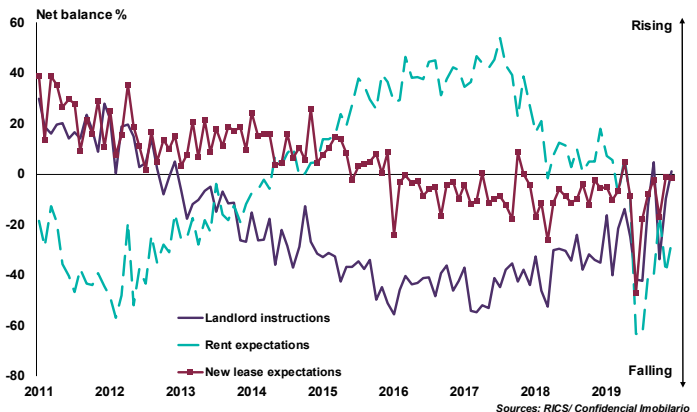


Chart 2: Lettings market indicators



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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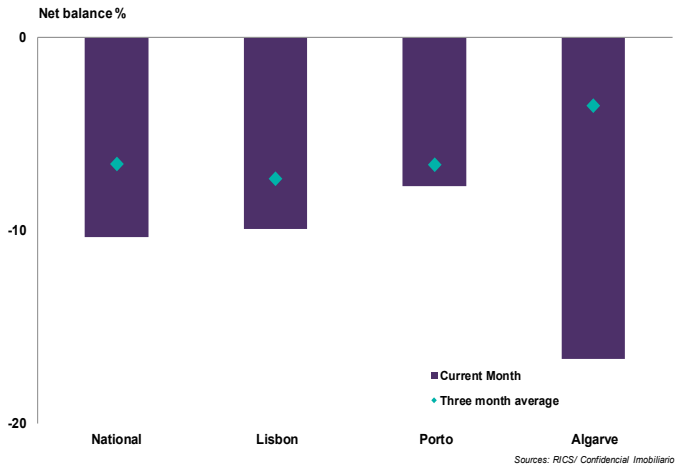
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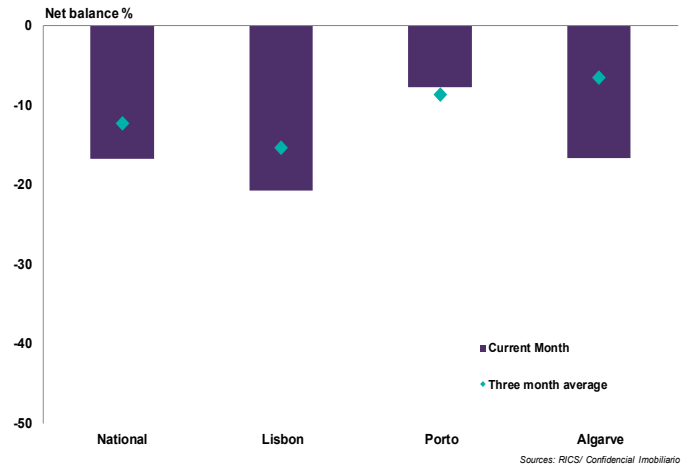
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Sales Market Charts

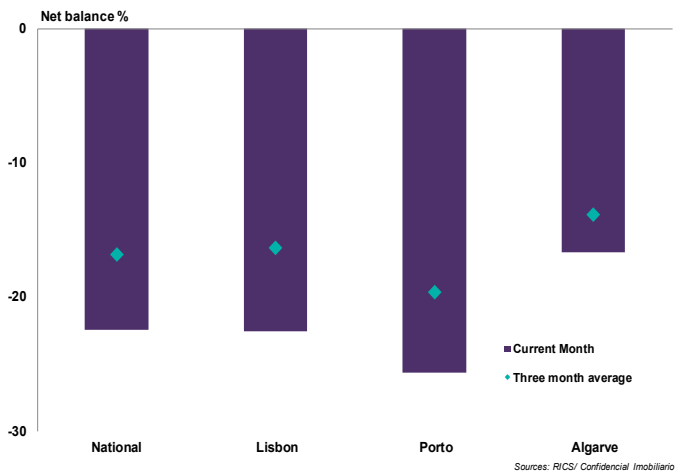
Prices (last three months) by Region



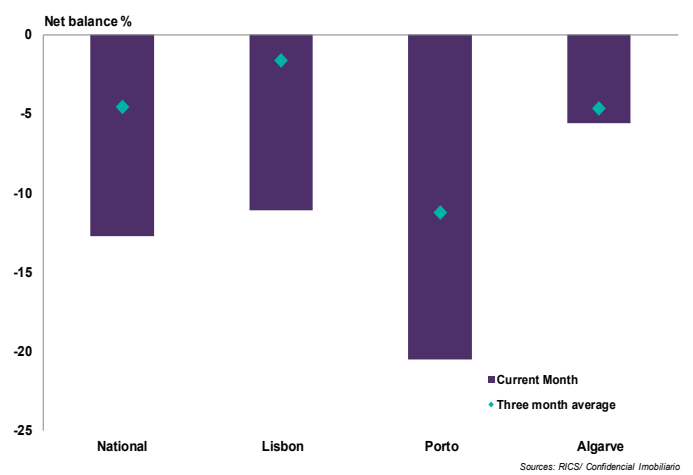
Promised Sales (past month) by Region



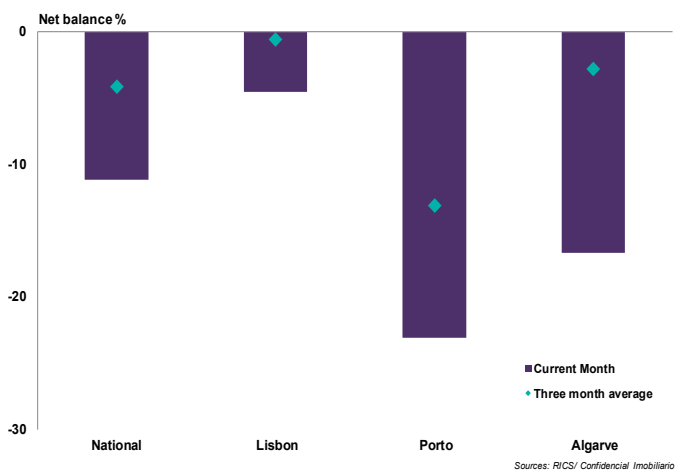
Price Expectations (next three months) by Region



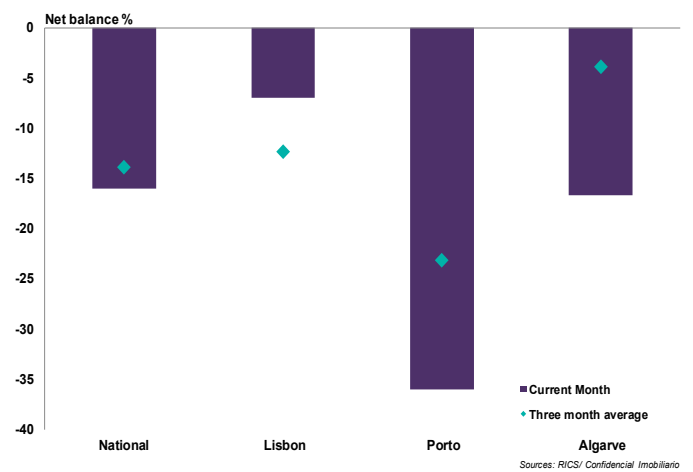
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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About 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.

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.

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We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

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