August 2023 RICS/Ci Portuguese Housing Market Survey

Market activity remains subdued amid challenging macro conditions

- **Buyer enquiries and sales continue to fall**
- **Near-term confidence index still subdued**
- **Supply tight across both sales and lettings markets**

Summary:

The August 2023 RICS/Ci PHMS results continue to depict a market struggling for momentum against a backdrop of tightening monetary policy and above target inflation. Indeed, buyer activity continues to soften (an ongoing trend over recent months), with house prices expected to retreat slightly over the near-term as a result. In the lettings market, demand remains resilient, although the lack of new landlord instructions of late means supply is still heavily constrained.

Regarding the new buyer enquiries indicator, a headline net balance of -25% was registered in August, consistent with another monthly fall in demand. That said, the latest reading is not quite as downbeat as the figure of -44% posted last month. Within this, all regions covered (Lisbon, Porto and the Algarve) continued to see new buyer enquiries dwindle in August. On the supply front, an aggregate net balance of -28% of contributors noted a decline in the flow of new listings coming onto the sales market, similar to the pattern being reported over much of the past four months.

Alongside this, the volume of sales agreed also declined during August, evidenced by a headline net balance of -23% of respondents citing a downward trend in the latest report. Looking ahead, respondents envisage sales remaining subdued over the coming three months, with the expectations indicator recording a net balance of -14% (marginally less downcast than the figure of -19% returned last time). Meanwhile, the Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) remains in contractionary territory at -12, although this represents a slight reduction in negativity compared to last month's reading of -21.

With respect to house prices, the latest net balance of +7% (slightly increased on +1% in July) remains indicative of a flat to marginally positive monthly picture for prices. Nevertheless, near-term expectations point to house prices coming under downward pressure over the coming three months, with this indicator now having been in negative territory in each of the last three reports. On a twelve-month view, respondents foresee house prices moving marginally higher at the aggregate level. When broken down however, Lisbon is the only area covered that displays positive house price expectations for the year ahead (net balance +42%). Conversely, survey participants anticipate a slight pull-back in house prices across Porto and the Algarve, posting respective net balances of -10% and -17%.

In the lettings market, tenant demand continues to rise according to a net balance of +37% of contributors. At the same time, landlord instructions remain scarce, with a net balance of -35% of respondents seeing a further dip in August. On the back of this, rents are anticipated to continue to climb over the coming three months (net balance 11% vs +24% previously).

Ricardo Guimarães, Director of Ci: "Monetary policy has still been focused on reducing the rate of inflation in recent months, with interest rates continuing to increase. On one hand, this is pressuring both buyers and developers with harder credit conditions. On the other hand, it has been relatively clear from the ECB that no further increases are expected, meaning that this entity considers that inflation will be controlled, and no additional impacts will arise for the market. This reinforces price stability expectations and, consequently, stimulates market liquidity and demand confidence."

Tarrant Parsons, RICS Senior Economist: "The macroeconomic backdrop continues to weigh on housing market activity, with tightening monetary policy adversely impacting mortgage affordability. That said, the general economic outlook across Portugal remains more resilient than that across the eurozone more broadly, with national GDP still anticipated to rise by over 2% this year. Should the ECB find themselves in a position to begin loosening monetary policy later next year, this would likely be accompanied by a recovery in domestic housing market activity.
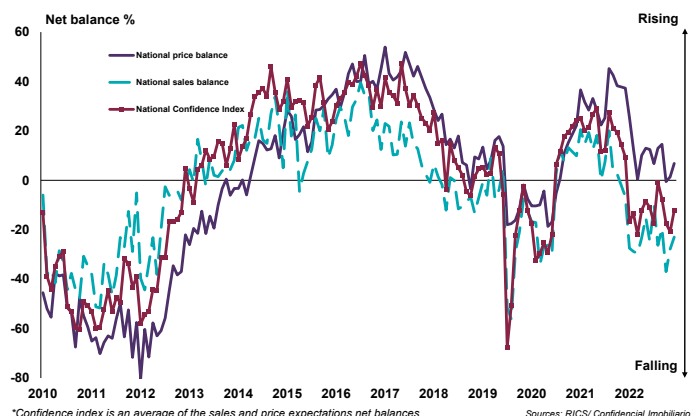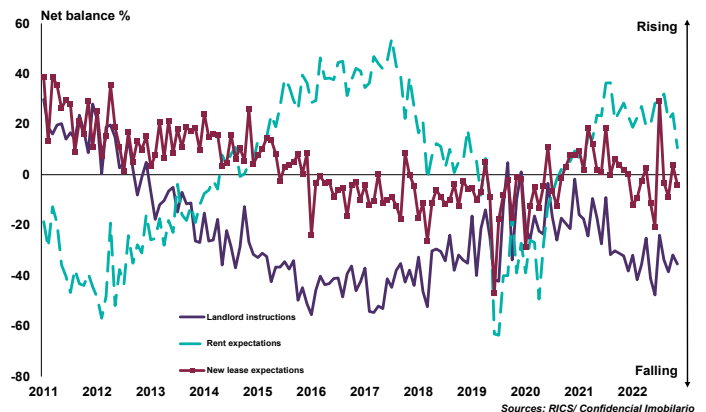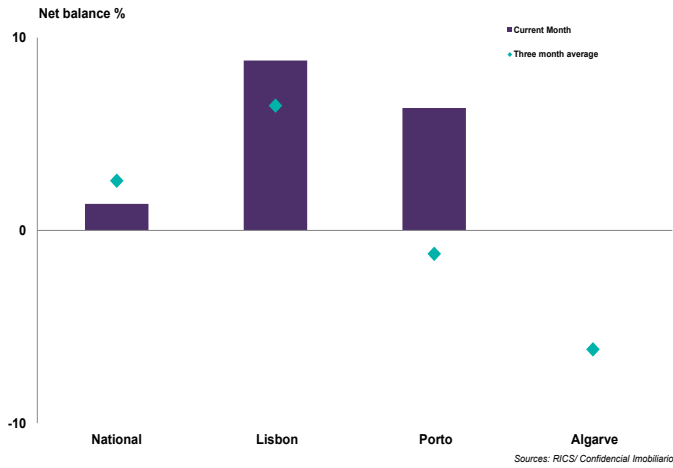
Chart 1: Sales market indicators

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

Sources: RICS/ Confidencial Imobiliario

Chart 2: Lettings market indicators

Sources: RICS/ Confidential 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.

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

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Sales Market Charts

Prices (last three months) by Region

Net balance %

Sources: RICS/ Confidencial Imobiliario

Promised Sales (past month) by Region
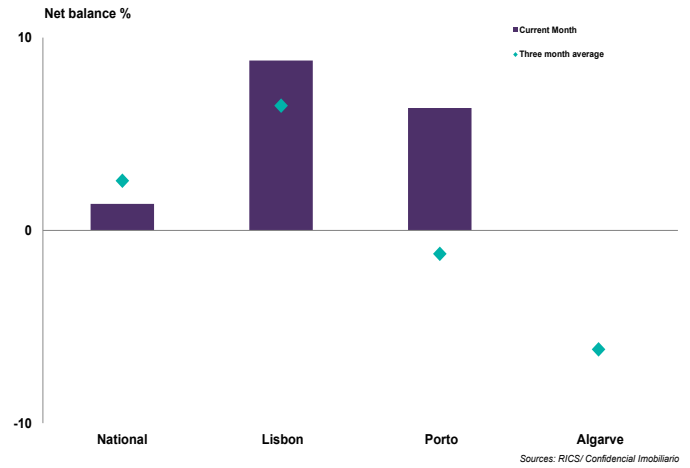
Net balance %

Sources: RICS/ Confidencial Imobiliario

Price Expectations (next three months) by Region

Net balance %

Sources: RICS/ Confidencial Imobiliario

Sales Expectations (next three months) by Region

Net balance %

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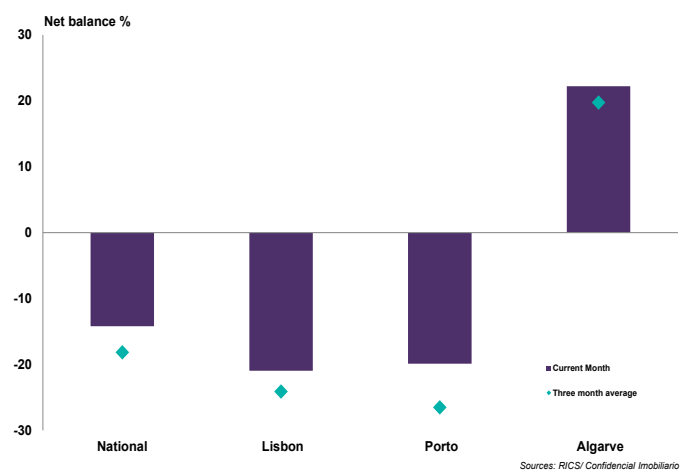
New Buyer Enquiries (past month) by Region

Net balance %

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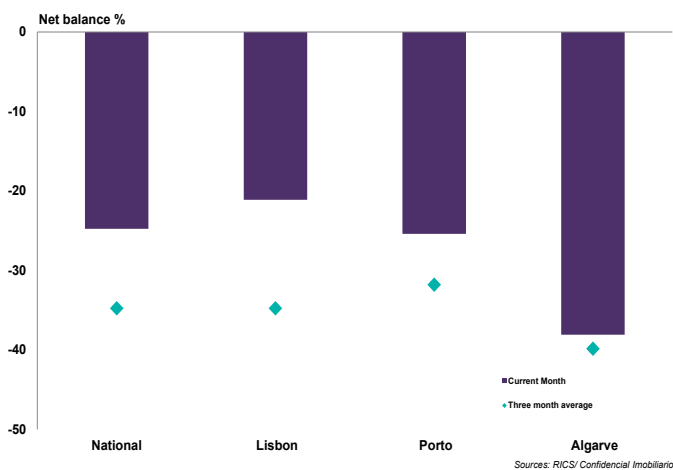
New Instructions to Sell (past month) by Region

Net balance %

Sources: RICS/ Confidencial Imobiliario
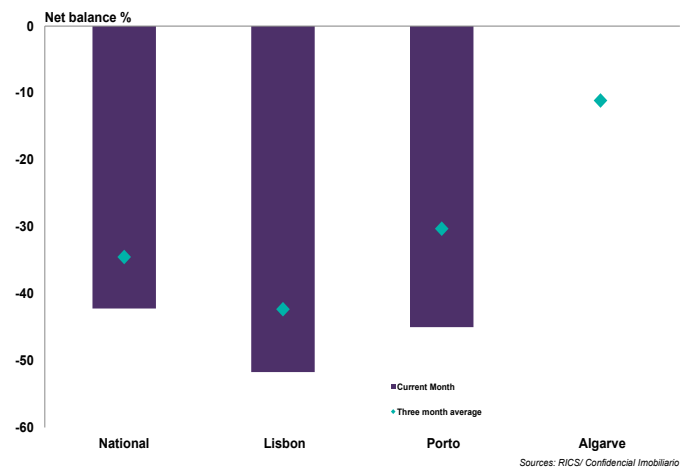
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RICS is a global professional body. We promote and enforce the highest professional qualification and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – 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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