

## December 2023 RICS/Ci Portuguese Housing Market Survey

### Challenging housing market conditions persist

- Demand and sales still falling
- House prices flat over the month
- Lettings activity expected to slow

#### Summary:

The December 2023 RICS/Ci PHMS results point to a continued downturn across the market, with many of the survey's indicators stuck firmly in negative territory. Furthermore, forward-looking sentiment does not suggest any improvement is imminent, with both sales and lettings markets expected to see a fall in activity in the coming months.

Looking at the sales side of the market, it is a consistent picture when compared to that of the previous month, with the net balance for new buyer enquiries coming in at -30% (continuing the trend of deeply negative readings). Alongside this, the flow of supply coming onto the market also remains weak, evidenced by a net balance reading of -33% for the new instructions indicator.

Moving on to the volume of new sales, akin to the buyer enquiries net balance, this has also remained downbeat, as a net balance of -28% was returned (2pp lower than last month's figure of -26%). As well as this, sales expectations exhibit a negative trend, with this net balance also seeing a marginal decrease from -18% last month to -19%.

When looking at house prices, the headline net balance moved slightly into the negative territory this month (-4%) with an 8pp fall from last month's reading of +4%. In fact, this represents the weakest reading since March 2021, albeit the current figure is more indicative of a flat picture for prices (rather than an outright decline) at this stage. Furthermore, when looking at house price expectations over the next three months, this net balance has become slightly more negative compared to November (-21% vs -17%). It is of note that there appears to be a convergence (as opposed to the previous trend of divergence) between house price expectations over three months and twelve. Indeed, the net balance for the latter is now at -1% (having seen a significant fall from +13% in November 2023).

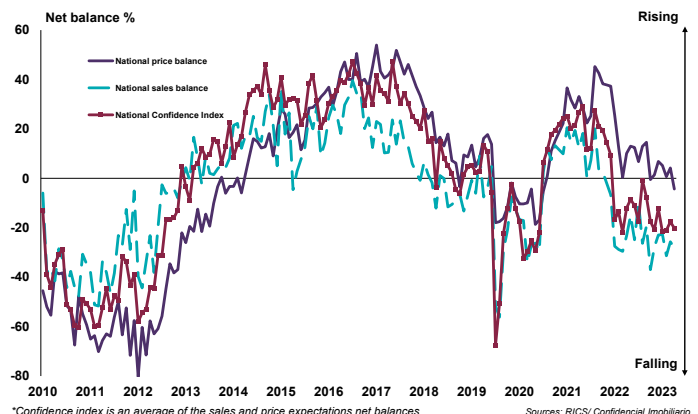
In keeping with the overall subdued tone, the weighted confidence index registered a value of -20 in December, deteriorating slightly from a figure of -18 previously.

Within the lettings market, tenant demand picked up according to a net balance of +21% of respondents. Nevertheless, expectations for rental sector activity over the coming months actually weakened further, slipping from a net balance of -5% last time to -16% in the latest results. With regards to rental prices, although contributors noted a small uplift in the three months to December, expectations point to a much flatter trend emerging over the near-term (net balance -1%).

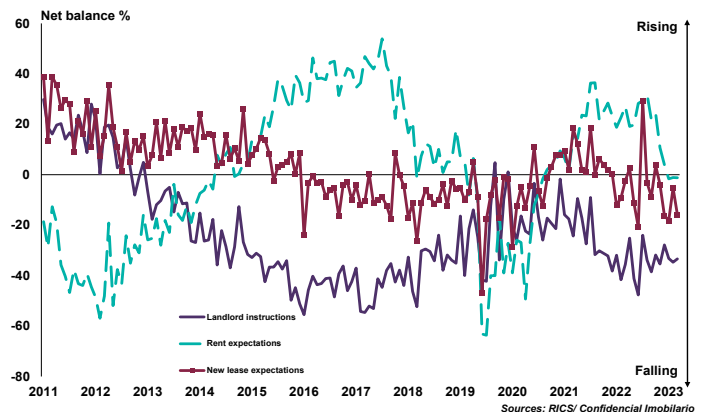
**Ricardo Guimarães, Director of Ci:** "The latest results from SIR – Residential Information System show that, after a fall of around 20% in the number of transactions, the market has steadied since the 2nd quarter of 2023 (equating to around 30 thousand sales quarterly). Over the past two quarters, there was, even, a small recovery, with a 2.5% cumulative increase. The previous decline, however, has had a notable impact on agent's sentiment. The lack of houses available, especially with affordable prices, is a significant restriction at a moment when, still, interest rates are high, and new inventory growth is cooling down."

**Tarrant Parsons, RICS Senior Economist:** "Whilst 2024 is predicted to be the year in which the economy gains some momentum, political and economic turbulence within Portugal and across the world continue to create a challenging backdrop. Tourism is a key sector, and somewhat disappointing figures in recent months have had an impact on the economy, although that may prove short lived. Whilst interest rates are stubbornly high, they are set to fall which may bring about more favourable market conditions as we progress through this year."

**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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# Sales Market Charts

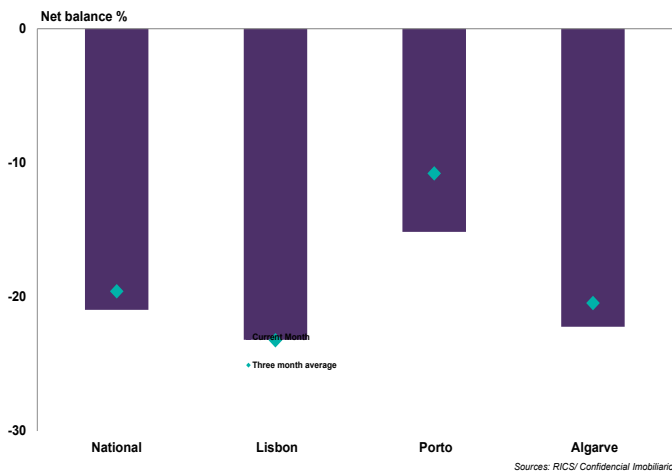
Prices (last three months) by Region



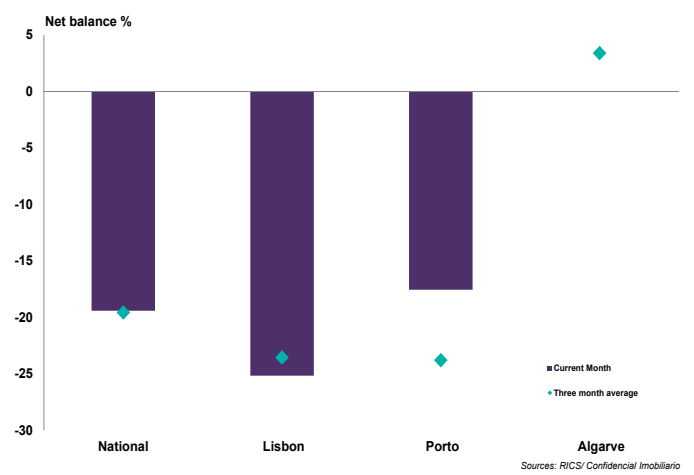
Promised Sales (past month) by Region



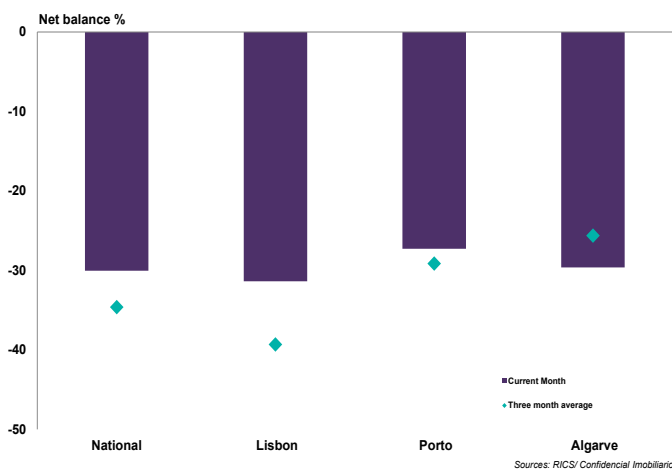
Price Expectations (next three months) by Region



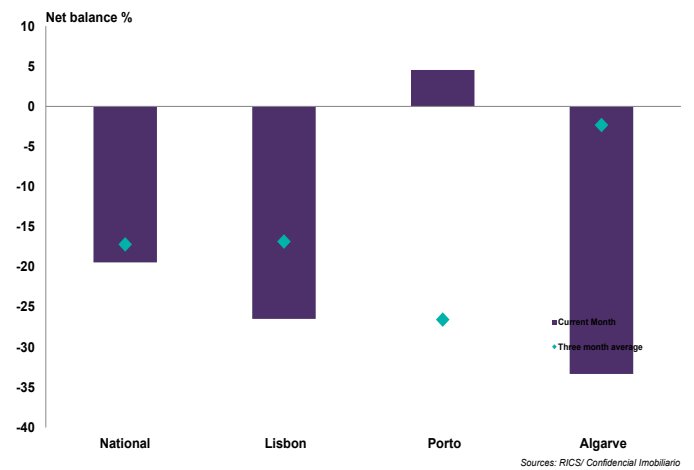
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



# Information

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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

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