November 2023 RICS/Ci Portuguese Housing Market Survey

Market activity still subdued while house prices remain largely stable

- **Buyer enquiries still falling albeit less so than before**
- **Headline house prices flat over the month**
- **Rental price growth loses momentum**

Summary:

The November 2023 RICS/Ci PHMS continues to reflect a turbulent period within the Portuguese housing market, albeit most metrics did turn at least slightly less negative when compared with the results returned over the previous month. Meanwhile, the lettings market has seen a further cooling in tenant demand growth, with rental prices also now appearing to be flattening out having been on a consistently upward trajectory over much of the past few years.

In the sales market, the headline new buyer enquiries net balance for November (at -31%) was less negative than that of the previous month (-43%). This diminished negativity can be attributed to Lisbon where the net balance moved from -54% in October to -32% in November. Conversely, both Porto and the Algarve saw slight decreases in their new buyer demand net balances, although these changes were negligible. At the same time, this month's survey is tentatively pointing to change in dynamics with regards to supply across the market, with latest net balance for new instructions edging closer to neutral territory at -10% (marking the least negative reading since the end of 2021).

Moving on to the volume of sales, this is another metric which has turned less negative, with a net balance of -26% being reported which is a 5pp rise compared to October's -31%. Furthermore, sales expectations also look to be turning a little less downbeat as a net balance of -18% was registered this time around (compared to the preceding month's figure -22%). Whilst both of these metrics have displayed only slight changes, they may signal that the market is gradually shifting towards a recovery phase.

House prices have remained steady over recent reports, with the net balance of +4% for this month not differing hugely from October's +1% (which remains largely indicative of a flat trend in house prices). Looking ahead, the divergence between price expectations over the 3- and 12-month timeframes persists. Indeed, whereas respondents foresee some downward pressure on prices over the near-term (net balance -17%), expectations are positive regarding the 12-month outlook (net balance +13%).

Finally, the lettings market has seen a continued easing in tenant demand growth, as the latest net balance softened to +14%. This is down from a reading of +19% beforehand and is noticeably more moderate than the recent high of +56% seen in May 2023. On the back of this cooling, the rental price growth measure moderated further to post a net balance of +9% in November, down from a reading of +21% previously. Going forward, lettings activity expectations came in a little less negative relative to last month's feedback, with the latest net balance coming in at -5% compared to -18% previously).

Ricardo Guimarães, Director of Ci: "The political situation has changed substantially in Portugal, with the Government falling and elections being scheduled for March. For the agents surveyed, this is the major factor. From one side, it brings additional instability as a natural result of a new source of uncertainty. On the other hand, however, there are expectations about the possibility of a new political cycle, one which is more able to open the market and attract investment (especially enabling affordable housing developments). In the meanwhile, as a positive factor, interest rate falls should allow for better market conditions in 2024."

Tarrant Parsons, RICS Senior Economist: "Portugal's macroeconomic conditions remain challenging with high interest rates hampering growth and investment into the economy at present. Furthermore, Portugal's political turmoil and the prospect of a split parliament in the upcoming March election creates more economic uncertainty, although this has been slightly mitigated by the budget for 2024 being approved. Conversely, it is widely anticipated that the ECB will cut interest rates in 2024 with certain markets already reacting to this which may account for the somewhat less negative nature of the metrics observed across the Portuguese housing market survey."

Chart 1: Sales market indicators

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

Sources: RICS/ Confidencial Imobiliario
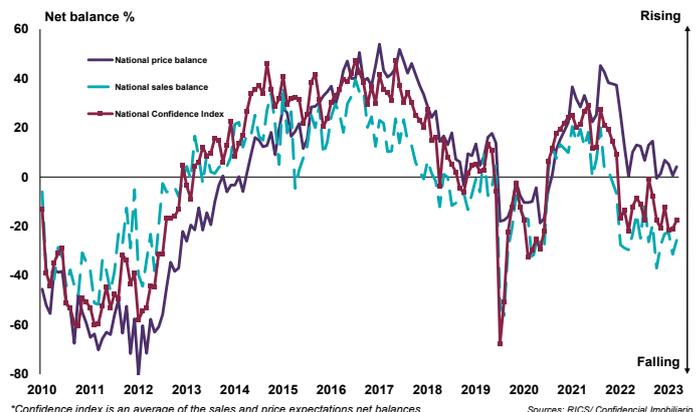
Chart 2: Lettings market indicators


Sources: RICS/ Confidential Imobiliario
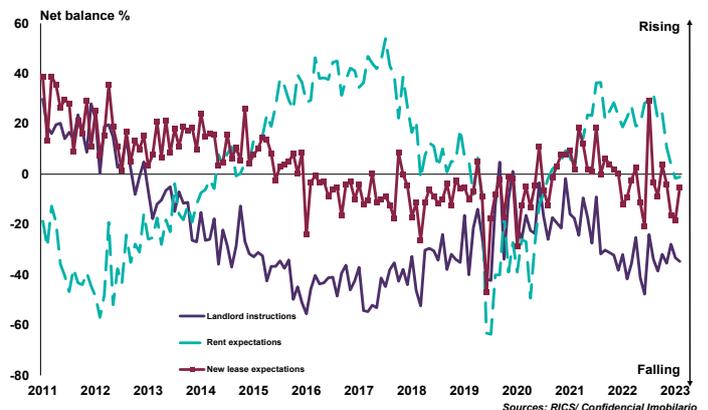
The RICS/Ci Portuguese Housing Market Survey (PHMS) provides a qualitative monthly assessment of the sales and lettings sectors based on around 100 regular responses. The PHMS contains a regional breakdown covering Lisbon, Porto and the Algarve.

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 %

- Current Month
- Three month average

Sources: RICS/ Confidencial Imobiliario
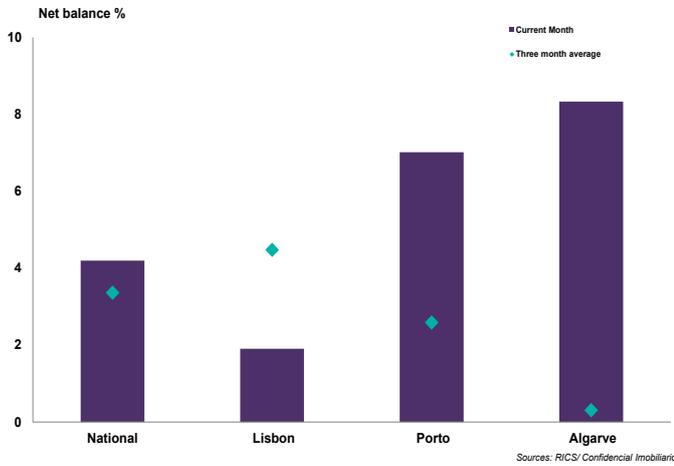
Promised Sales (past month) by Region
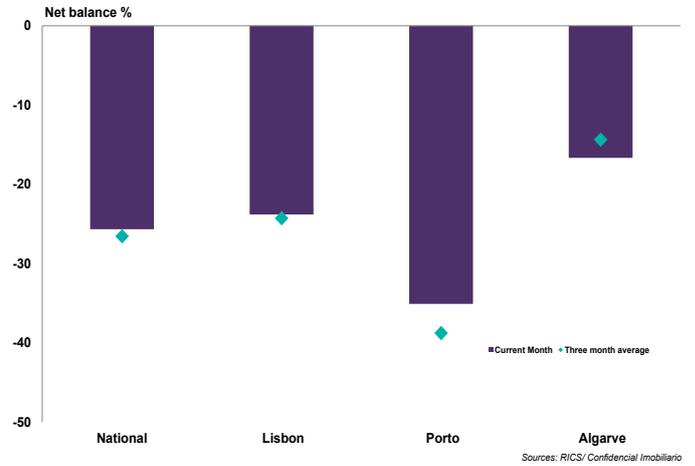
Net balance %

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
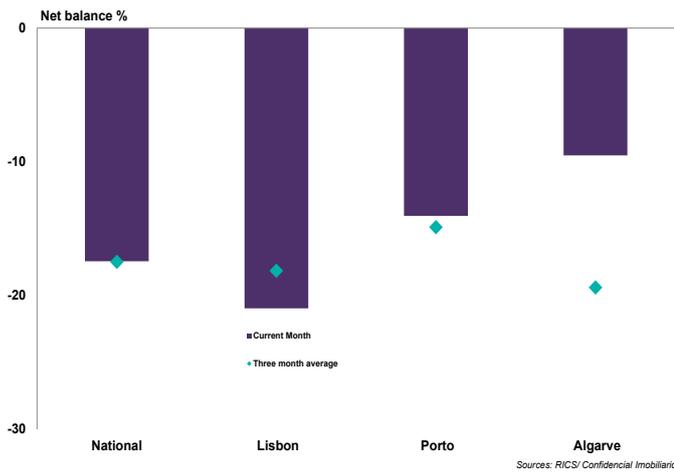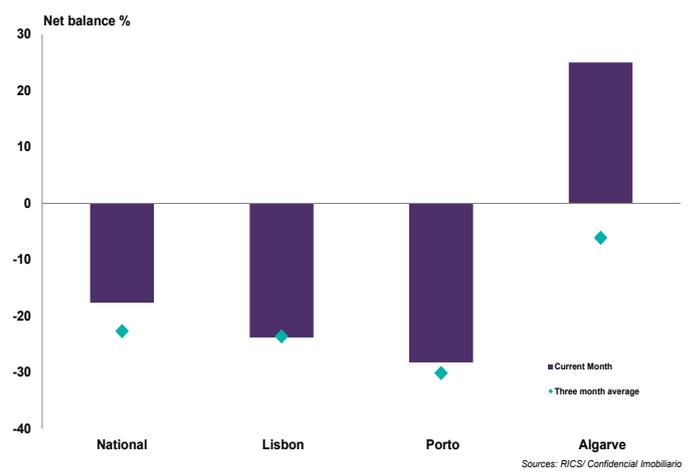
New Buyer Enquiries (past month) by Region

Net balance %

- Current Month
- Three month average

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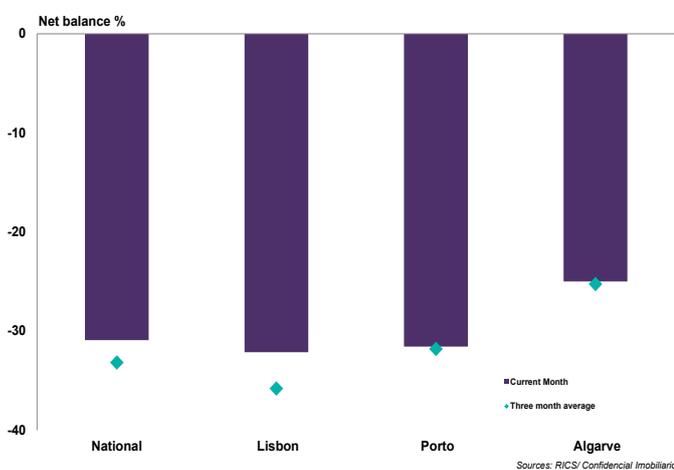
New Instructions to Sell (past month) by Region

Net balance %

- Current Month
- Three month average

Sources: RICS/ Confidencial Imobiliario
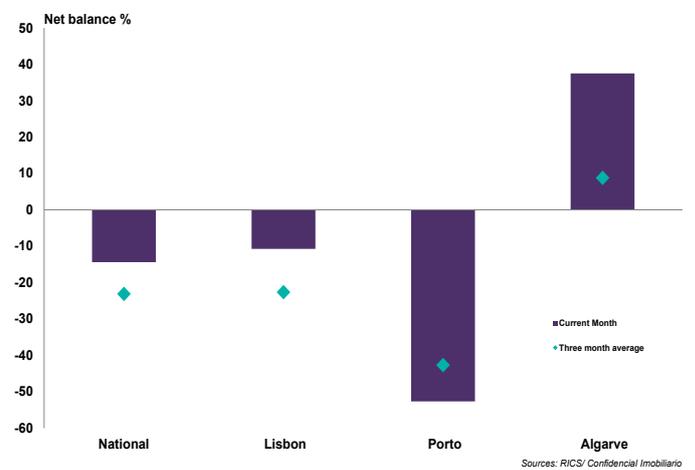
Information

For further information please contact:

Ci Press Office: Ricardo Guimarães

Tel: +351 22 208 50 09/+351 93 222 24 84

Email: rguimaraes@ci-iberica.com

RICS Press Office (Portugal): Eulalia Pensado

Tel: +351 91 3705119
Email: epensado@rics.org

Management:

Tarrant Parsons

Tel: +44 (0)20 7695 1585
Email: tparsons@rics.org

Survey sponsors

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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.

Delivering confidence

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Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org

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rics.org