

## October 2023 RICS/Ci Portuguese Housing Market Survey

### Weak sales market activity trends remain visible

- Buyer enquiries gauge weakens notably
- Headline house prices hold steady
- Tenant demand growth appears to be slowing

#### Summary:

The October 2023 RICS/Ci PHMS continues to echo the tough market conditions witnessed over the last few months. Softening buyer activity has resulted in house price expectations turning negative over the coming 3 months. Meanwhile, the lettings market is experiencing a slight slowdown in tenant demand growth (albeit this metric remains modestly positive), while the lack of new rental properties coming to market remains a persistent trend.

New buyer enquiries further reflect the challenging conditions within the market as a headline net balance of -43% was recorded – a significant decrease from the preceding two months (-26% and -25% in September and August respectively). All three regions covered (Lisbon, Porto and the Algarve) mirror this sentiment with Lisbon recording the most negative net balance of -54%. From the supply side, the ongoing decline in new properties coming onto the market continues as evidenced by an aggregate net balance of -18% in October, albeit this is the least negative reading in the last 8 months.

With respect to the volume of sales, the recent trend of falling sales is still present and the rate of this fall appears to have accelerated based on the -31% net balance for this metric falling 8pp on last month's net balance of -23%. When looking at sales expectations in the coming 3 months, it is evident that the trend of negative sales is expected to have continue with the net balance showing a figure of -22% (slightly less negative than last month's -29%).

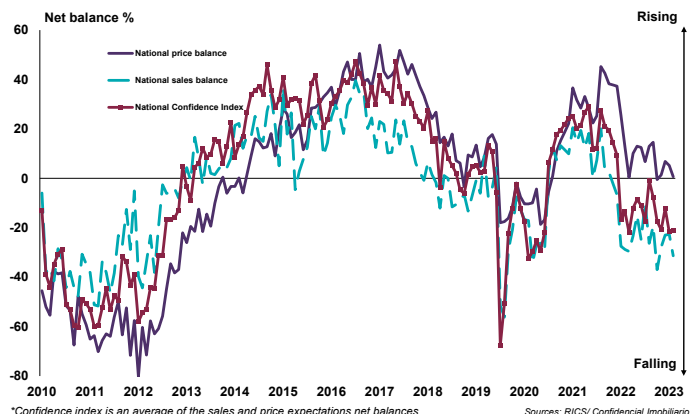
Moving onto house prices, October's net balance of +1% (slight decrease from +5% in September) signals a possible flattening out in headline house prices over the month. Looking forward, the picture for the coming 3 months contrasts with the outlook in a year's time as the former shows some downward pressure being anticipated whereas expectations over the latter time-frame show a marginally positive net balance. Looking deeper into the 12-month data, Lisbon is largely responsible for the positive aggregate house price expectations (+36% net balance) as Porto's net balance is only marginally above zero at 4.8% whilst the Algarve displays a strongly negative net balance of -37.5%.

In the lettings market, the tenant demand measure remains positive albeit slightly cooled relative to recent months, posting a net balance of +19% compared to last month's +29%. The lack of rental properties being listed on the market persists according to a net balance of -33% of contributors. It is therefore not surprising that rents are rising (21% net balance) although the rate of this rise has now subdued. Interestingly, rental expectations over the next 3 months point to rents remaining stable with a -2% net balance ending the long streak of positive readings for rental expectations.

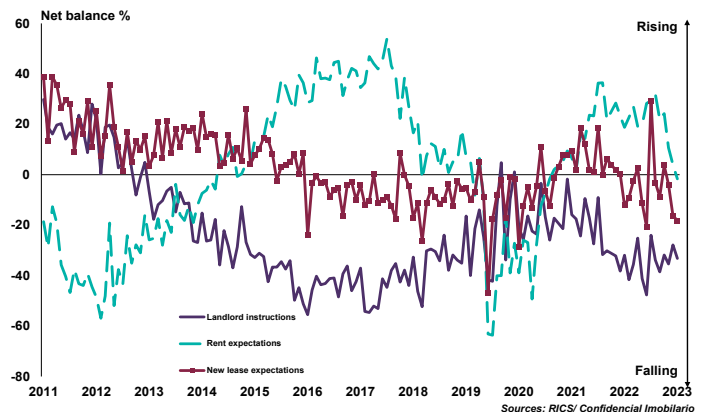
**Ricardo Guimarães, Director of Ci:** "Once again, uncertainty took over the market, as a result of the recent national political crisis. Despite the economic slowdown, macroeconomic indicators are relatively positive, especially with respect to controlling inflation. This is creating positive expectations about a potential future demand recovery. However, for the moment, demand is still under pressure, with several players mentioning the lack of affordable houses available in the market. Alongside this, they add that the new developments coming to the market are high-end driven, reinforcing the absence of inventory for sale."

**Tarrant Parsons, RICS Senior Economist:** "With financial conditions still tight across the Euro area, property markets continue to adjust to the tighter lending environment. Although ECB policy rates now look likely to have peaked, the message of 'higher for longer' is being reinforced by policymakers. Consequently, there seems little prospect of any material rebound in housing market activity levels over the coming months, unless the inflation backdrop turns sharply in a more favourable direction."

**Chart 1: Sales market indicators**



**Chart 2: Lettings market indicators**



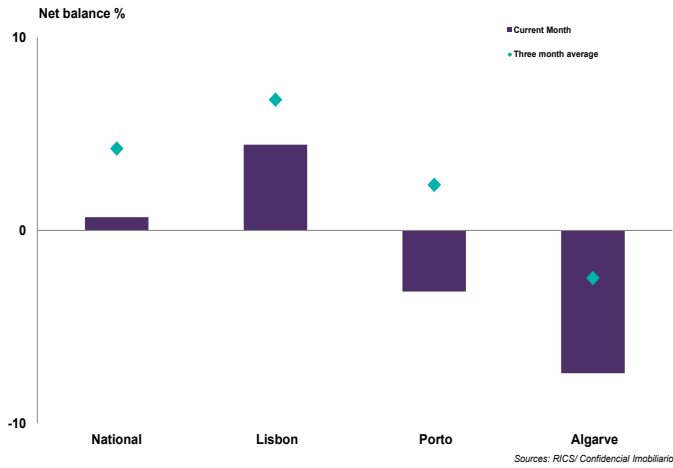
The RICS/Ci Portuguese Housing Market Survey (PHMS) provides a qualitative monthly assessment of the sales and lettings sectors based on around 100 regular responses. The PHMS contains a regional breakdown covering Lisbon, Porto and the Algarve.

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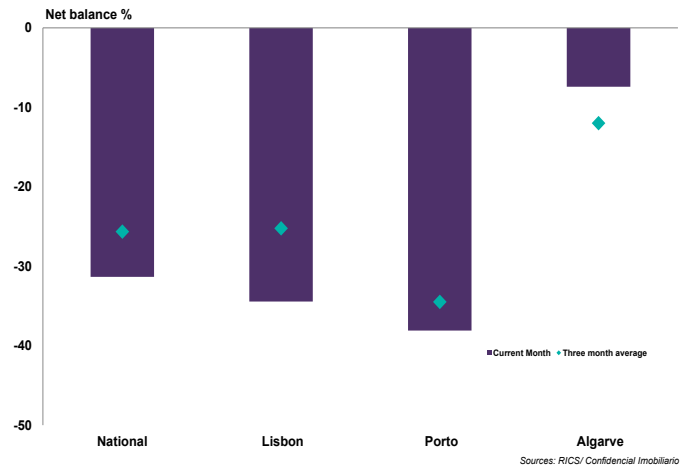
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# Sales Market Charts

Prices (last three months) by Region



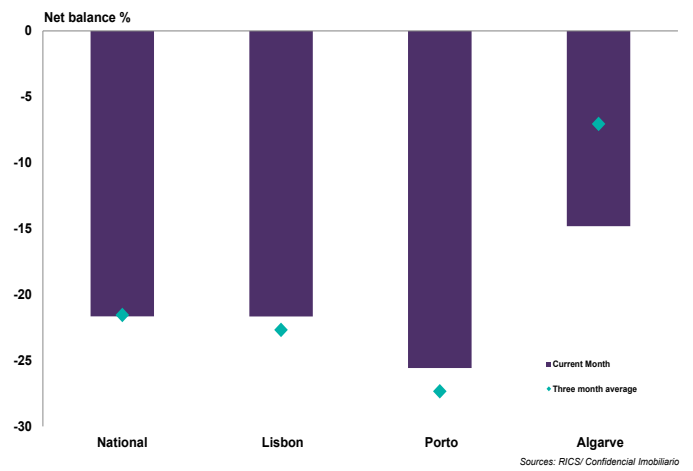
Promised Sales (past month) by Region



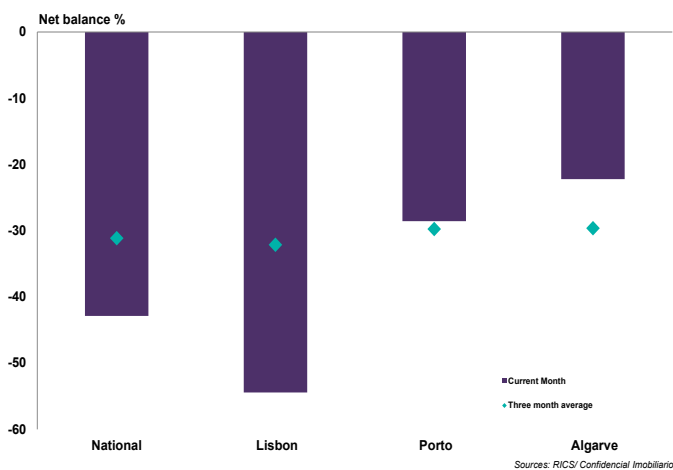
Price Expectations (next three months) by Region



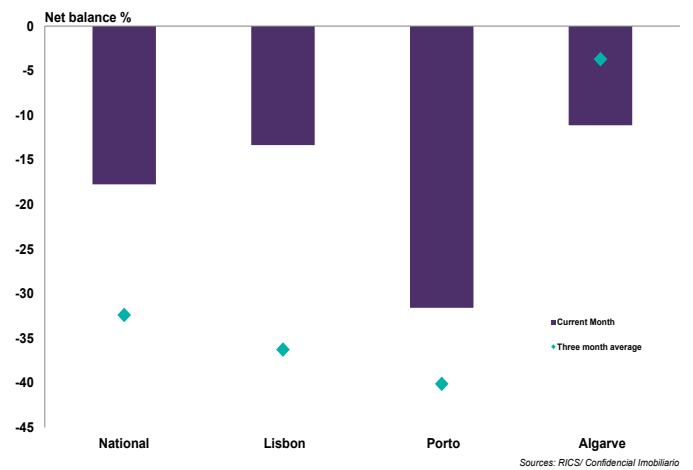
Sales Expectations (next three months) by Region



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

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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