

## September 2022 RICS/Ci Portuguese Housing Market Survey

# Outlook weakens amid macroeconomic pressures

- **New buyer demand continues to fall**
- **Near-term sales expectations turn negative**
- **Lettings market remains firm**

**Summary:** The September 2022 RICS/Ci PHMS results show a more negative outlook for housing market activity. This is evidenced by a further decline in new buyer demand, coupled with the indicators on agreed and expected sales falling further into negative territory. For the lettings market, tenant demand and rental growth remain firm, with both series edging up from last month.

With respect to new buyer demand, a headline net balance of -16% respondents saw a decline in enquiries in September. This was a further decrease on the reading of -10% recorded in August, indicating that buyer demand continues to weaken. Although there was a slight easing in the net balance reported for new instructions, with this being recorded at -28% for September (from -39% in August), the issue of a lack of stock coming onto the market remains prevalent.

For agreed sales, the headline net balance was recorded at -28%, which was a large decline on the -7% reading posted in August. Furthermore, near terms sales expectations have fallen into negative territory, from +3% in August to -26% in September. Both the agreed sales measure and the near-term expectation series now point towards a negative trend in sales volumes, which is likely associated with monetary policy tightening and the softer economic outlook.

Looking at house prices, the headline net balance came in at +25% in September, which was an easing on the figure +37% recorded in August. Price expectations for the next 12 months were registered at a net balance of +16% which was largely moderated from +40% seen last month. This signals that price growth is set to fade both in the near term and over the year ahead. Regional data shows that the Algarve has the strongest price expectations with the net balance figure being reported at +25%, with Porto and Lisbon being recorded at +14%. However, all regions have seen a moderation in expectations relative to the previous month.

The Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of -17, which represents a large fall compared to August's reading of +9. This is a result of sales expectations slipping into negative territory and weakening resilience on the pricing side of the equation.

For the lettings market, tenant demand is reported to have increased by a net balance of +43% of respondents, which was a small increase on the figure reported in August (+41%). Throughout September, rents were reported to have increased by a net balance of +46% of respondents (compared to +41% in August), suggesting market conditions remain firm on the rental side.

**Ricardo Guimarães, Director of Ci:**

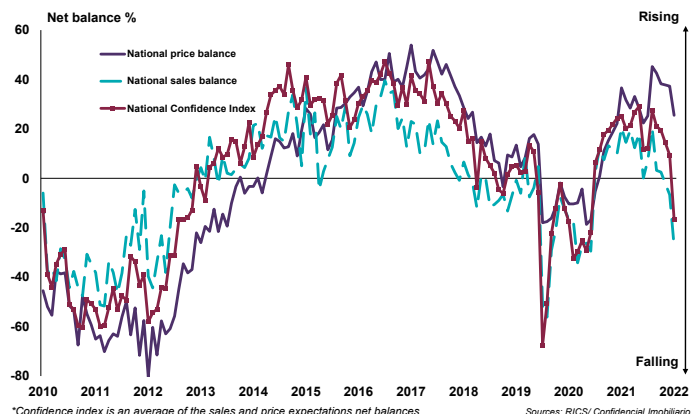
The RICS/Ci Portuguese Housing Market Survey (PHMS) provides a qualitative monthly assessment of the sales and lettings sectors based on around 100 regular responses. The PHMS contains a regional breakdown covering Lisbon, Porto and the Algarve.

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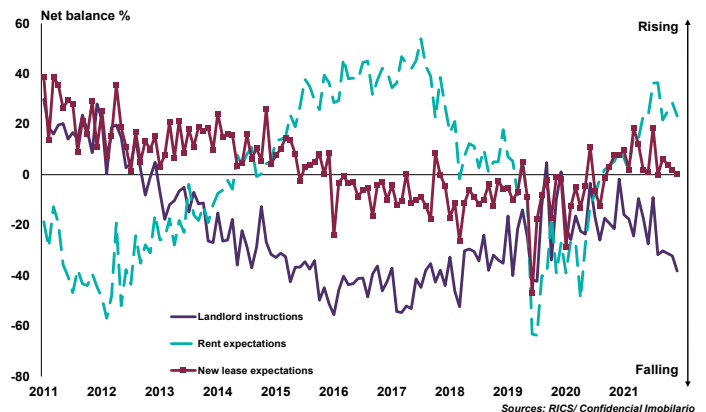
**Ricardo Guimarães, Director of Ci:** "Uncertainty is a common concern raised by several agents responding to the survey. Repeatedly, the national media reports news on market risks and potential price falls, despite almost always being immediately contradicted by market figures and dynamics. Once again, as seen during previous crises, consensus sentiment points to bubble risks and potential price corrections that are conditioning buyer's expectations. This adds to a natural movement of demand decreasing, resulting from more adverse mortgage access, as DSTI conditions become more difficult for new loans."

**Tarrant Parsons, RICS Senior Economist:** "The impact of weakening macroeconomic trends across much of Europe is now beginning show in the Portuguese housing market. With higher interest rates and the prospects of a recession seeming probable, there has been a slowdown in demand. Expectations for sales are now in negative territory and price growth has started to moderate. However, the lettings market remains resilient at this stage, still showing positive trends."

**Chart 1: Sales market indicators**



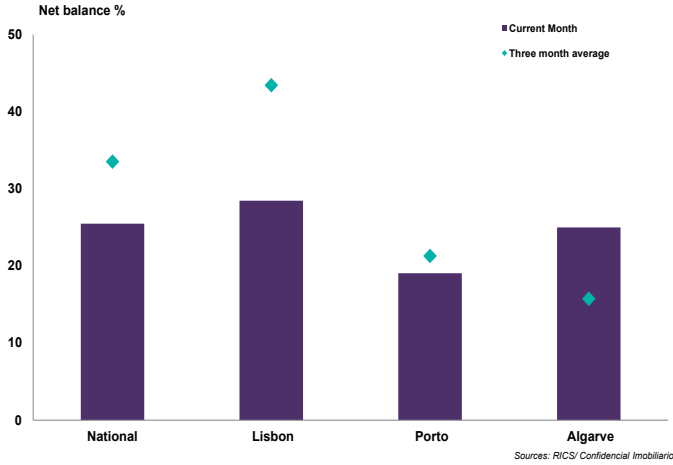
**Chart 2: Lettings market indicators**



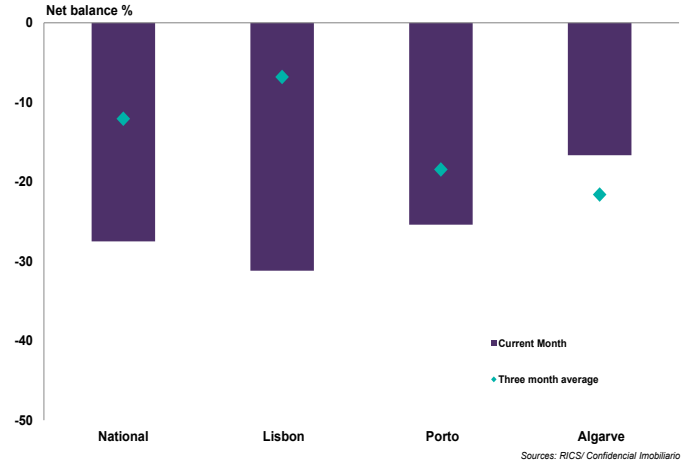
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# Sales Market Charts

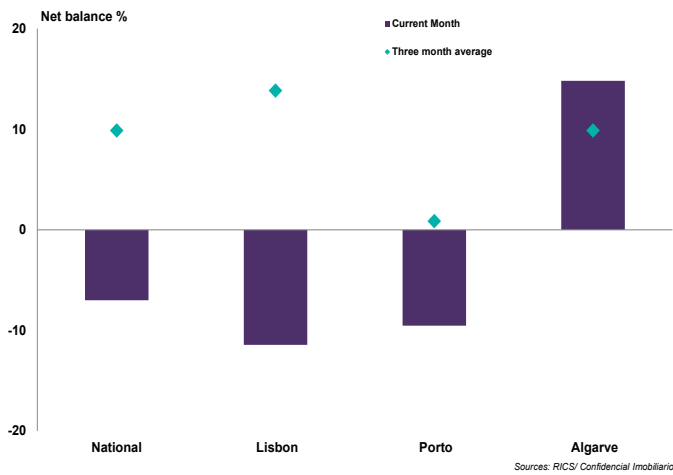
Prices (last three months) by Region



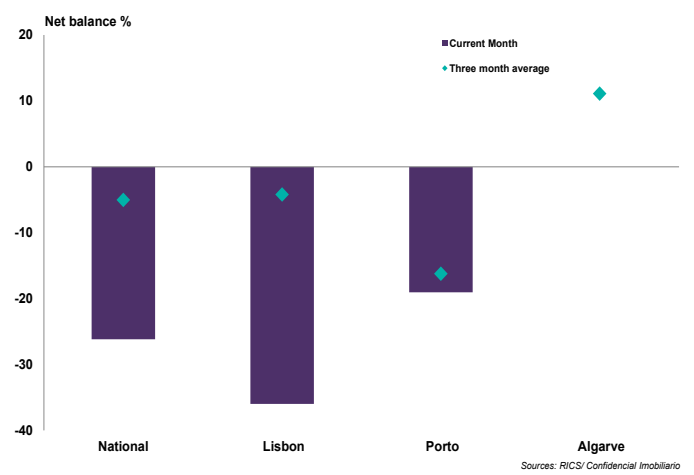
Promised Sales (past month) by Region



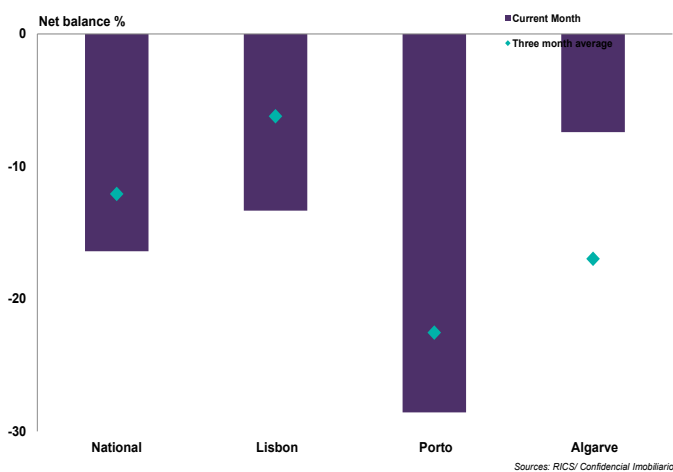
Price Expectations (next three months) by Region



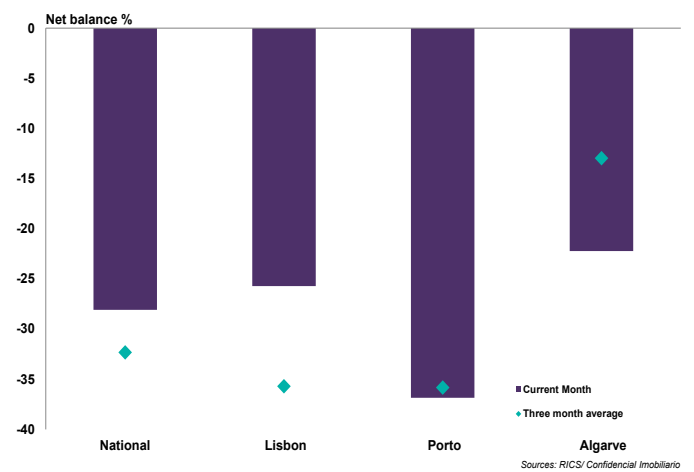
Sales Expectations (next three months) by Region



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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