January 2024 RICS/Ci Portuguese Housing Market Survey

Sales market activity appears to turn a corner

- **Buyer enquiries move out of negative territory**
- **Price expectations strengthen**
- **Sales outlook improves**

Summary:

The January 2024 RICS/Ci PHMS results contrast with the findings of preceding months, as many of the metrics tracked have shown some degree of improvement. Moreover, this recovery in sentiment does not end at current sales conditions but is also evident regarding expectations. Alongside this, the rental market also exhibits a slight pick-up in momentum.

With respect to the net balance for buyer enquiries, there has been a noticeable increase from -30% last month to +2% this month (marking the first time this indicator has been out of negative territory since 2022). Meanwhile, there was also a noteworthy stabilisation in new instructions, with the net balance for agents moving from -19% in December 2023 to -5% in January 2024.

Looking at the volume of sales, this metric has also shown a significant turnaround, with the net balance rising from -28% last month to +2% this time around. A similar pattern is visible for sales expectations over the next 3 months with a net balance of +7% being recorded, a 26pp increase on December's -19%. These two metrics also continue the trend mentioned for buyer demand, as the net balances moved into positive territory after a prolonged period in the negative zone.
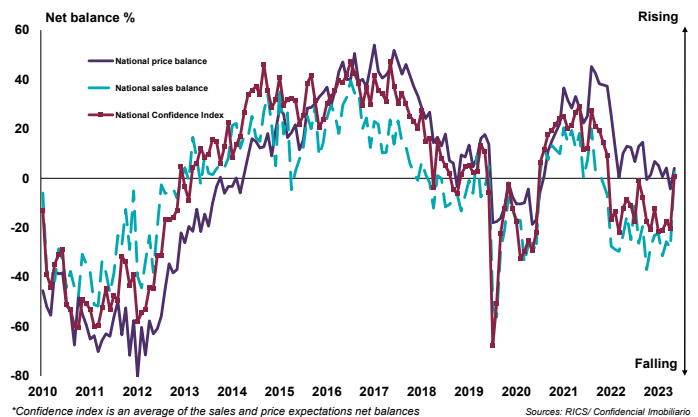
Further delving into the sales market, the net balance for house prices moved out of negative territory, posting an 8pp increase from -4% last month to +4% this month (albeit both readings are consistent with minimal changes in prices). Looking ahead, the net balance for price expectations over the next 3 months showed diminished negativity, moving from -21% to -5%. A similar, albeit significantly more positive, sentiment is also clear within the price expectations over the coming 12 months, as the headline net balance increased from -1% in December 2023 to +28% in January.

Moving over to the lettings market, readings for all metrics covered increased or turned less negative in January. That said, the persistent issue of the lack of new rental properties coming onto the market is still evident, even if the net balance of -22% recorded in January represents a less negative figure than -33% returned last month. Elsewhere, the two metrics which displayed the largest monthly change are rent expectations and lettings volume expectations, with both net balances up compared to last month (+15% vs -1% for rental expectations and zero vs –16% for letting volume expectations).
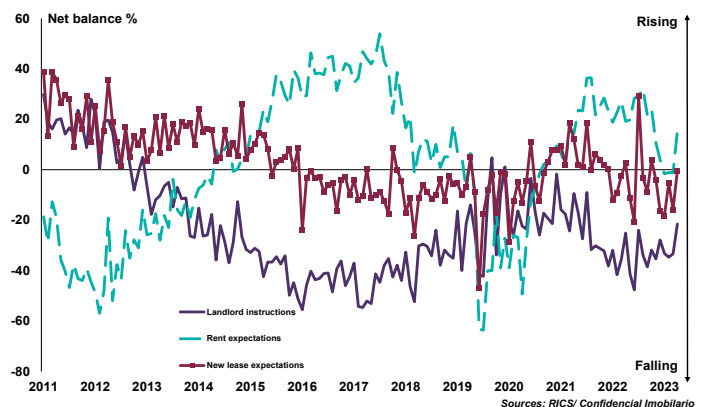
Ricardo Guimarães, Director of Ci: "The latest Portuguese economic indicators show positive trends regarding growth, unemployment and inflation rates. At the same time, market participants foresee interest rates being cut during 2024, allowing demand to progressively recover and expectant buyers to decide about their investments. This potential movement is mentioned by some respondents, despite the lingering political uncertainty in Portugal. As stressed by several contributors, still, the main constraint on the market is the lack of affordable houses for sale, and any demand recovery is seen as a source for short term price acceleration."

Tarrant Parsons, RICS Senior Economist: "Portugal's stronger recent economic performance correlates with the early signs of improvement in property market dynamics. Indeed, after a prolonged period of difficulty, activity now looks to be picking up. Global economic conditions also seem to be improving to a certain extent, which should further support the picture in Portugal, with income growth and consumer spending expected

Chart 1: Sales market indicators

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

Sources: RICS/ Confidencial Imobiliário

Chart 2: Lettings market indicators
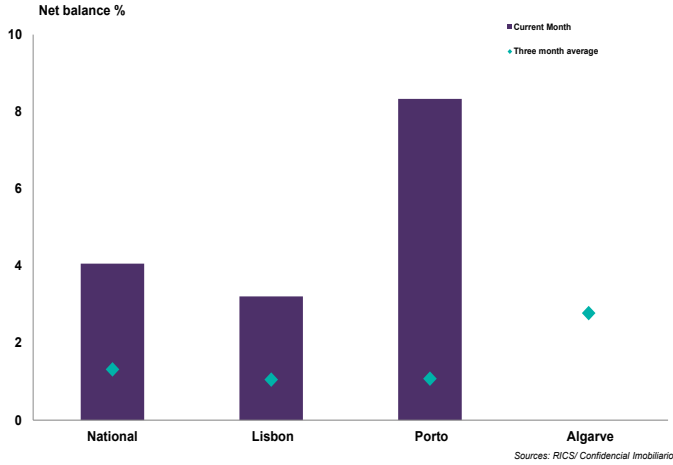

Sources: RICS/ Confidencial Imobiliário

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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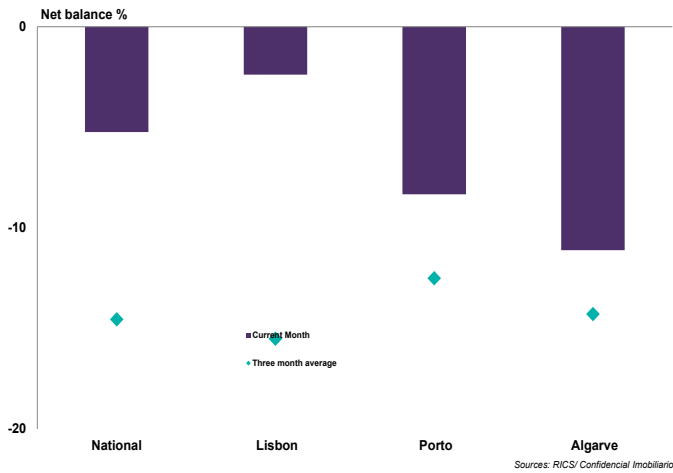
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Sales Market Charts

Prices (last three months) by Region

Net balance %

■ Current Month
♦ Three month average

National   Lisbon   Porto   Algarve

Sources: RICS/ Confidencial Imobiliario

Promised Sales (past month) by Region

Net balance %

■ Current Month   ♦ Three month average

National   Lisbon   Porto   Algarve

Sources: RICS/ Confidencial Imobiliario

Price Expectations (next three months) by Region

Net balance %

■ Current Month
♦ Three month average

National   Lisbon   Porto   Algarve

Sources: RICS/ Confidencial Imobiliario

Sales Expectations (next three months) by Region

Net balance %

■ Current Month
♦ Three month average

National   Lisbon   Porto   Algarve

Sources: RICS/ Confidencial Imobiliario

New Buyer Enquiries (past month) by Region

Net balance %

■ Current Month
♦ Three month average

National   Lisbon   Porto   Algarve

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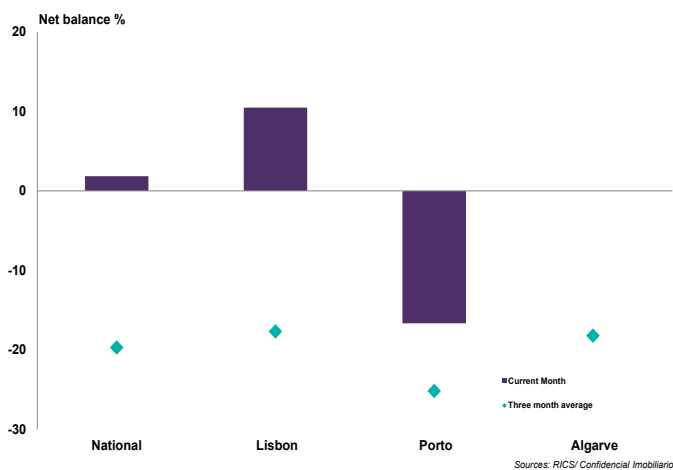
New Instructions to Sell (past month) by Region

Net balance %

■ Current Month
♦ Three month average

National   Lisbon   Porto   Algarve

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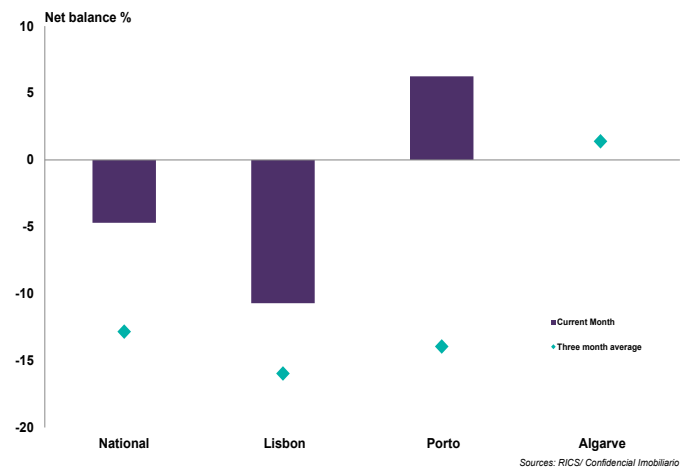
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RICS is a global professional body. We promote and enforce the highest professional qualification and standards in the development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards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