

October 2018 RICS/Ci Portuguese Housing Market Survey

Softer trend in sales market activity

- Enquiries and agreed sales remain unchanged
- Supply indicator weakens over the month
- Price expectations firmest in the Algarve

Summary:

The October 2018 RICS/Ci PHMS results suggest that the imbalance between demand and supply is continuing to drive strong price growth. A similar picture is depicted in the lettings market, where rents continue to rise firmly on the back of solid tenant demand and falling landlord instructions.

Starting with the sales market, new buyer enquiries remained unchanged in October with the net balance coming in at just -2%. This follows a broadly flat underlying trend in demand over the past few months, notwithstanding the +21% net balance reading in September. What's more, enquiries were reportedly flat in all three regions covered in the survey. Likewise, the agreed sales net balance indicator pointed to no change in transactions at the national level, although sales did reportedly rise very modestly across Porto and the Algarve.

The softer trend in activity is having an impact on the National Confidence Index (a combined measure of near term price and sales expectations) but this indicator still remains comfortably in positive territory at +15 in October compared with +27 in September. Even so, this is the weakest reading in four years.

Meanwhile, the headline new instructions indicator edged further into negative territory in October with a net balance of 27% reporting a fall. Significantly this marks the nineteenth consecutive month in which the supply of properties for sale have declined. On the back of this, prices continued to rise firmly at the headline level with a net balance of +24% of respondents citing an increase. Expectations for the coming three months have moderated slightly but are still suggestive of further price inflation nonetheless. At the regional level, solid price growth is expected in the Algarve whilst momentum is expected to slow slightly in Porto and Lisbon. Further ahead, contributors expect prices to rise by 3% on average nationally in the coming year.

In the lettings market, tenant demand continued on an upward trajectory, albeit the pace of growth in the latest results was the softest since February 2016. Alongside this, new landlord instructions declined once again. As a result, the rental growth indicator continued to point to further gains. Expectations suggest this will persist over the coming three months, the volume of lettings however, are envisaged to decline in the same timeframe.

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: “The key factors driving the market remain the same. The most quoted however, is regulatory and fiscal instability, which is increasingly affecting investors’ confidence. This is particularly true in Lisbon, where new rules regarding the local lodgement market appear to have had an adverse impact on Lisbon’s Historic Centre (LHC). Confidencial Imobiliário’s LHC Price Index has declined sharply, with capital value growth falling from 14.4% one year ago to just 0.1% in 2018”

RICS Chief Economist, Simon Rubinsohn: “Although October’s results suggest momentum has eased somewhat, forward looking metrics are still suggestive a reasonably solid outlook for the market. Indeed, the macro fundamentals remain strong, which should help provide a positive backdrop for housing market activity in the near term”

Chart 1: Sales market indicators

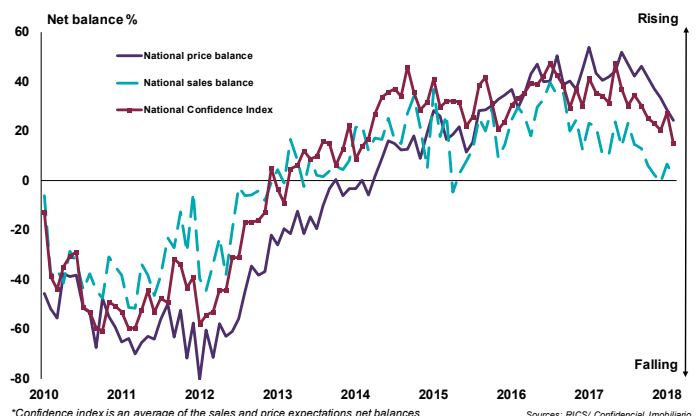
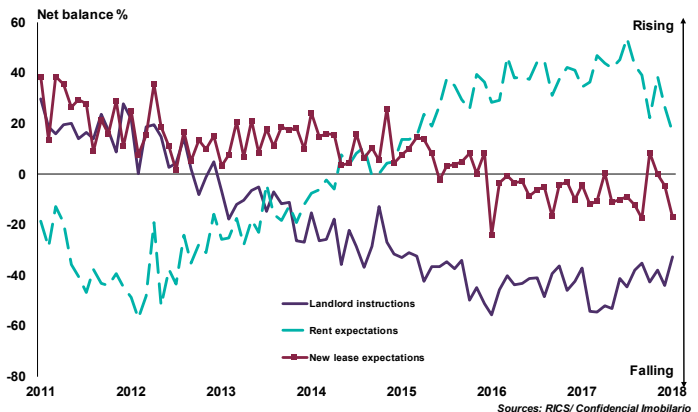
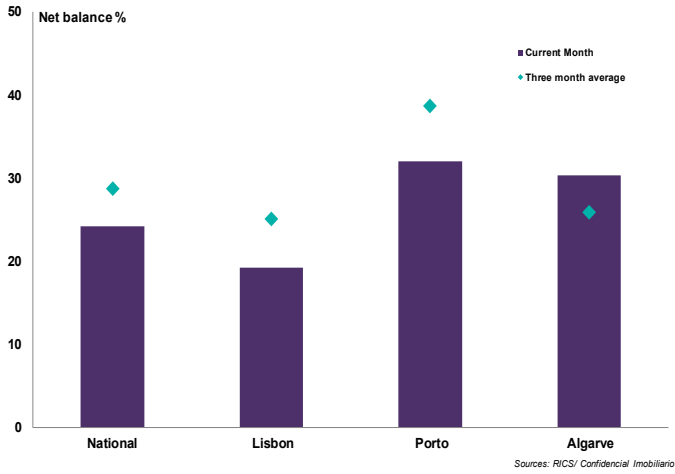


Chart 2: Lettings market indicators

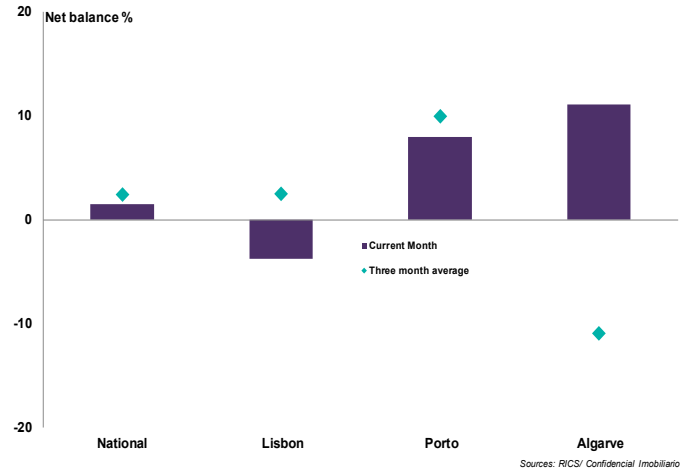


Sales Market Charts

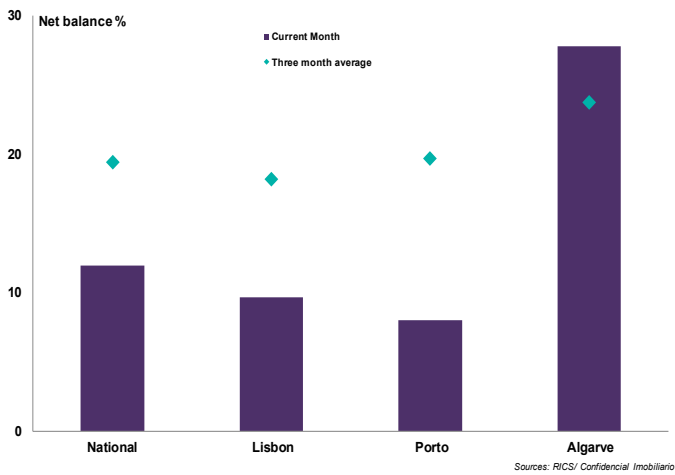
Prices (last three months) by Region



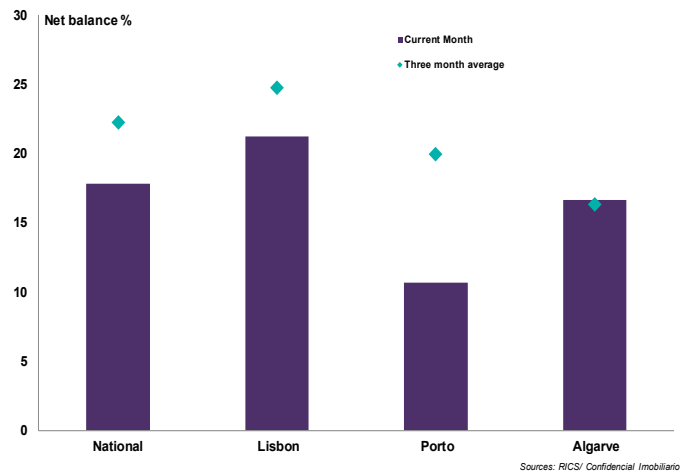
Promised Sales (past month) by Region



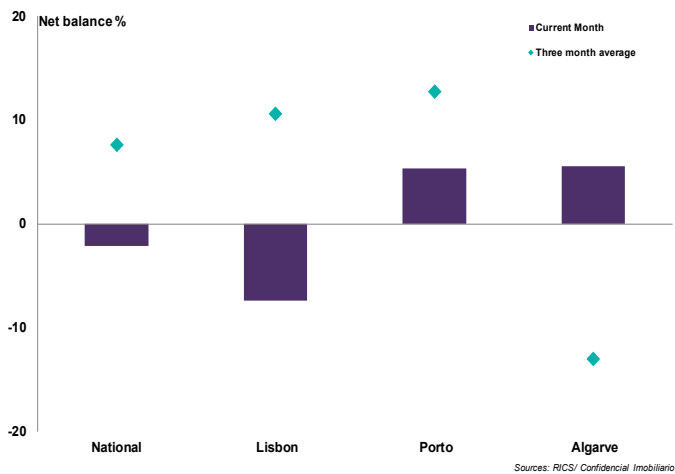
Price Expectations (next three months) by Region



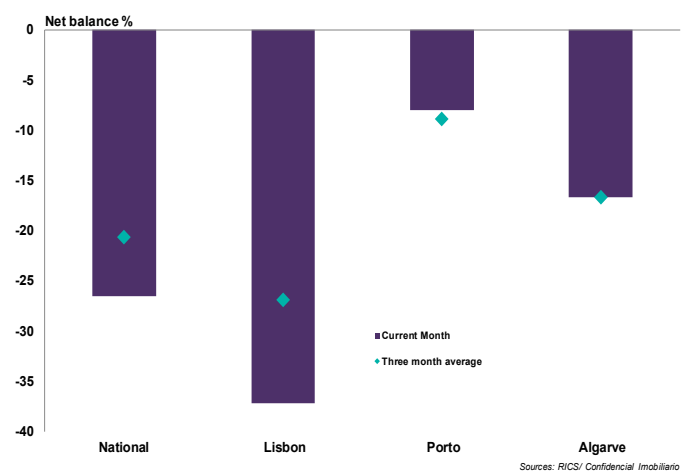
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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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.

Survey sponsors

Both RICS and Ci are grateful to Lardocelcar, INCI and Millennium bcp for supporting the survey.

About Lardocelcar: Online since May 2001, about 490,000 users and 7.9 million pages are reached per month on LardocelLar.com. More than 450,000 buildings and 1,700 property developments are available with 4.5 million photographs, generating more than 48,000 requests every month for 1,200 real estate companies. More information on www.LardocelLar.com and www.PROi.com.pt.

About InCI: The Instituto da Construção e do Imobiliário (InCI, IP) is the state regulator of real estate and construction activities. It is InCI's role to attribute the necessary licenses to operate in the fields of practice that fall within their regulatory scope.

About Acerca do Millennium bcp: Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private-owned bank. The Bank, with its decision centre in Portugal, meets the challenge of: "Going further beyond, doing better and serving the Customer", guiding its action by values including respect for people and institutions, focus on the Customer, a mission of excellence, trust, ethics and responsibility. It is a distinguished leader in various areas of financial business in the Portuguese market and a reference institution at an international level. The Bank holds a prominent position in Africa through its banking operations in Mozambique and Angola, and in Europe through its banking operations in Poland and Switzerland. The Bank has operated in Macau through a full branch since 2010, when a memorandum of understanding was signed with the Industrial and Commercial Bank of China aimed at strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China. The Macau branch is increasingly a strategic vector of development of relations between Portugal, Europe, Angola, Mozambique and China, particularly in the areas of trade finance and investment banking. The Bank also has a presence in the Cayman Islands through BCP Bank & Trust with a type B license.

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.

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