May 2022 RICS/Ci Portuguese Housing Market Survey

Activity stalls but prices continue to rise

- **House price indicator remains firm**

- **New buyer enquiries and sales stagnate**

- **Prices seen rising over the near-term despite a flat outlook for activity**

Summary:

The May 2022 RICS/Ci PHMS results point to a largely stagnant headline picture for housing market activity over the month, although prices continue to rise firmly according to the latest feedback. In the lettings market, tenant demand growth remains robust, while a lack of supply is still a prominent factor contributing to a rise in rental prices.

Starting with the sales market, the aggregate net balance for new buyer enquiries came in at -5% during May, down from a much stronger reading of +21% last month. As such, this is indicative of demand flat-lining over the month, with the regional breakdown showing a stagnant trend in both Lisbon and Porto, while respondents based in the Algarve reported an outright decline. Alongside this, new instructions to sell remain subdued across all areas, evidenced by a net balance of -26% of respondents citing a fall at the headline level in May.

With respect to agreed sales, the headline net balance slipped from +20% previously to just +3% in the latest results. Again, this is consistent with a generally flat monthly picture for transactions. Looking ahead, near-term sales expectations are now in broadly neutral territory, posting a reading of +5% in May (down from a more positive figure of +13% beforehand).

For house prices, the headline net balance of +43% continues to signal a firm pace of growth at the aggregate level (similar to last month's figure of +45%). Moreover, a net balance of +67% of survey participants foresee prices remaining on a upward trajectory over the coming twelve months, up marginally on a reading of +64% previously.

Meanwhile, the Weighted Confidence Index (a combined measure encompassing near-term price and sales expectations) returned a figure of +21, down slightly from a figure of +27 last month. That said, this measure is being supported by the resilient outlook on the pricing side of the equation, while sales expectations are much flatter.

In the lettings market, a net balance of +51% of contributors reported an increase in tenant demand during May, while the reading for new landlord instructions remains deeply negative at -32%. On the back of this discrepancy between rising demand and tight supply, rents are anticipated to increase over the near-term by a net balance of +36% of respondents.

Ricardo Guimarães, Director of Ci: "May's HPI, from Confidencial Imobiliário, shows a monthly price increase of 2.5% compared with the previous month. This result means house price growth is accelerating relative to the pace observed over recent months (even though prices were already rising at a significant rate). Since December, prices have increased by around 10%, reaching more than 17% growth yoy. These figures show that inflation and construction cost pressure are leading to an appreciation in price expectations, despite the pressure on families' disposal income."

RICS Senior Economist, Tarrant Parsons: "The global economic backdrop continues to weaken, with inflationary pressures prompting tighter policy from central banks around the world while also weighing on the outlook for consumer spending. Although conditions remain solid regarding the Portuguese economy at this stage, the prospect of higher borrowing costs alongside a material slowing in growth across many advanced economies represents a significant headwind going forward. In turn, this could hamper activity in the housing market, although pricing trends are expected to remain relatively firm for now."

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

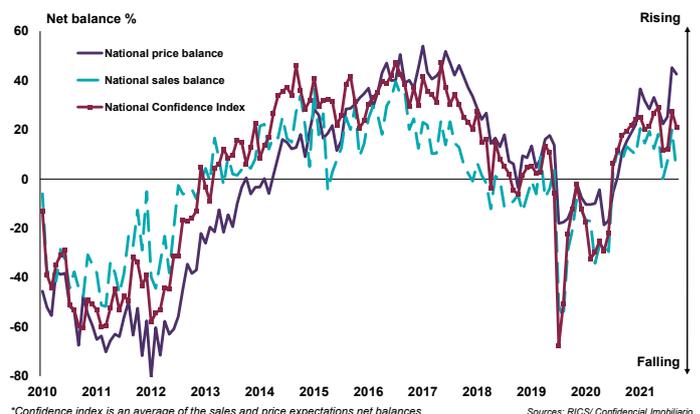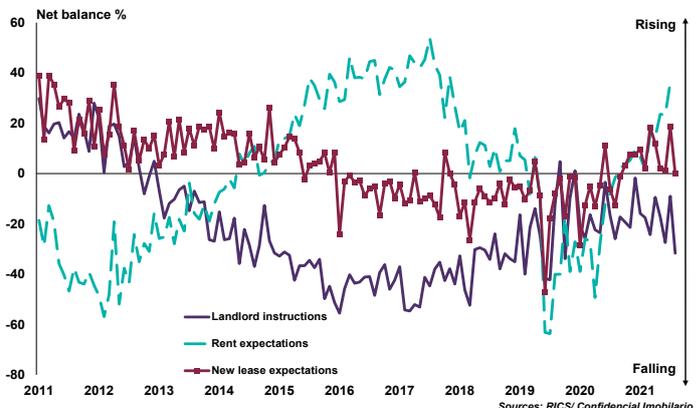Sources: RICS/ Confidencial Imobiliario

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.

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Sales Market Charts

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Prices (last three months) by Region

Net balance %

- Current Month
- Three month average

National, Lisbon, Porto, Algarve

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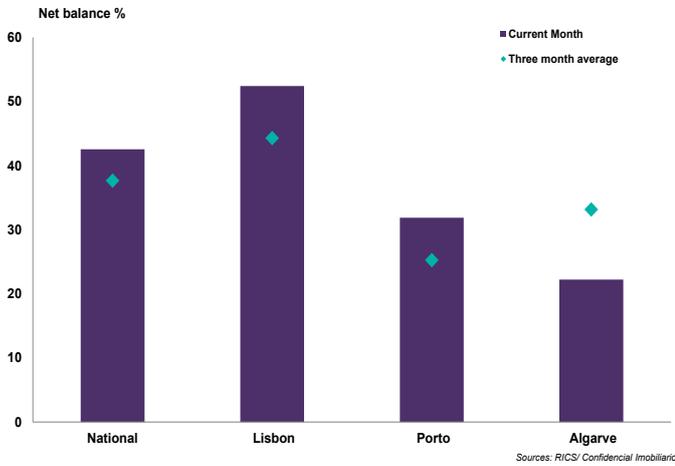
Promised Sales (past month) by Region
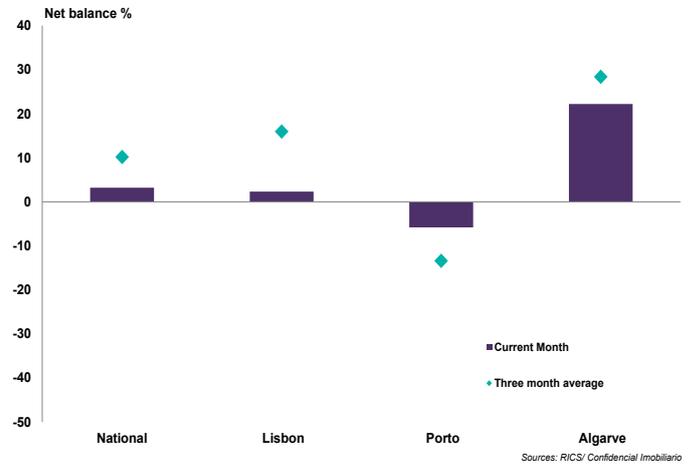
Net balance %

- 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
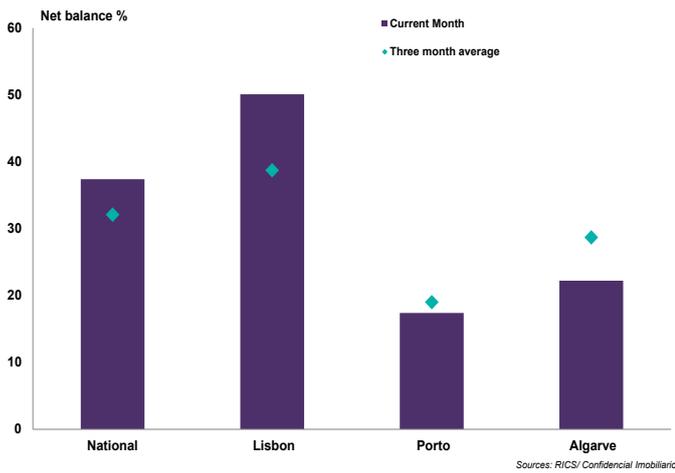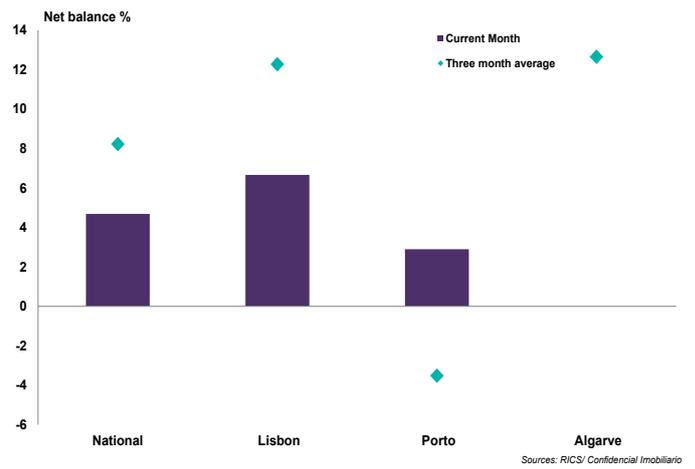
New Buyer Enquiries (past month) by Region

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
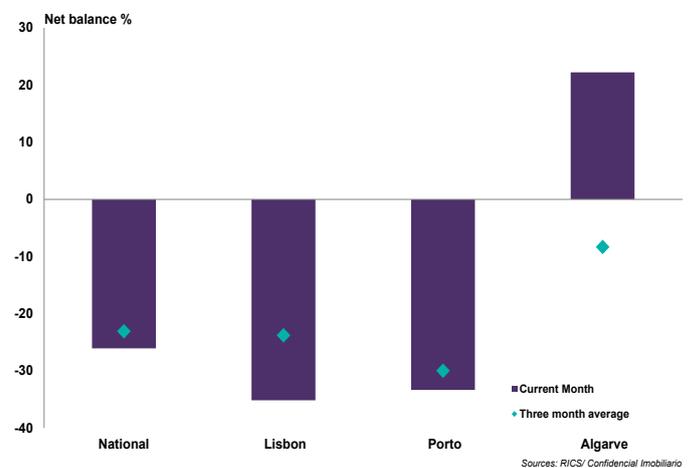
Information

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

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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 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

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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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