

August 2020 RICS/Ci Portuguese Housing Market Survey

Activity struggling for momentum amid pandemic

- Buyer enquiries see renewed dip in August
- Sales expectations still broadly flat
- Tenant demand starting to improve

Summary:

The August 2020 RICS/Ci PHMS results suggest activity across the market continues to exhibit subdued impetus, with indicators on demand, sales and new instructions all in negative territory. Conversely, in the lettings market, demand now appears to be picking up, although this is yet to translate into an increase in rental pressures at the moment.

The headline new buyer enquiries gauge returned a net balance of -10% in August, down from a modestly positive figure of +9% posted in July. At the regional level, while monthly demand trends were reported to be broadly flat across Lisbon, respondents cited outright declines in both Porto and the Algarve. Back at the headline level, a net balance of -13% of survey participants noted a decline in agreed sales during August, with all regions seeing a fall in transactions over the period. Looking ahead, near term sales expectations remain in broadly neutral territory, signalling little change is anticipated over the coming three months.

Alongside this, new instructions to sell declined over the month following a more or less stable trend reported in July. What's more, each region covered by the survey saw a renewed drop-off in sales listings coming onto the market during August.

With regards to house prices, a headline net balance of -7% of respondents saw prices decline in the latest results. This is down from a flat picture reported in the July feedback although the latest figure still suggests prices have seen very little movement of late. That said, price expectations did deteriorate in August, with the three-month indicator posting a net balance of -23% (down from -5% previously). Moreover, twelve month expectations now point to house prices falling by around -2% in aggregate.

The national confidence index (a combined measure capturing near term price and sales expectations) fell back to -12 in August having recovered somewhat to -2 in the July survey returns.

In the lettings market, tenant demand increased at the strongest rate (in net balance terms) since back in February. Even so, rents remain in decline and are expected to continue on a downward trajectory over the coming three months.

Ricardo Guimarães, Director of Ci: "August was another month with stable prices, according to Confidencial Imobiliário's House Price Index. Prices grew 0.1% at national level, even though recent market valuations show a sharp decline. This demonstrates that, despite low market expectations, owners are resilient, due not only to their reduced exposure to global debt, but also as a result of the moratorium measures implemented since the crisis. Wait and see is now the widespread strategy."

RICS Chief Economist, Simon Rubinsöhn: "The recent pick-up in coronavirus cases across much of Europe is only likely to complicate an already challenging outlook for the Portuguese economy. In particular, with the latest figures showing the rate of unemployment has risen to 8.1%, further deterioration in the labour market will not bode well for consumer confidence going forward. Given this, it is understandable that the latest survey returns continue to portray a high degree of uncertainty within the housing market."

Chart 1: Sales market indicators

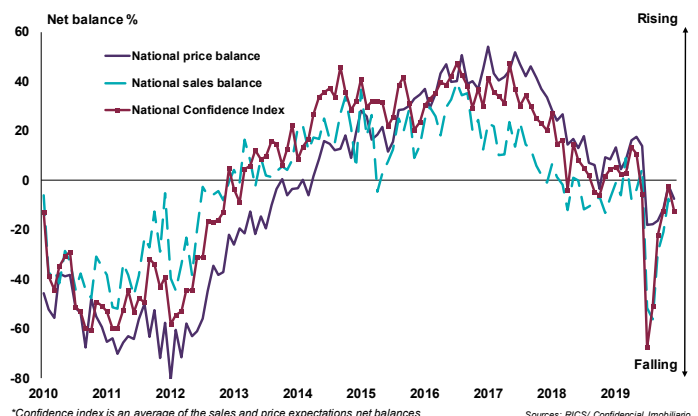
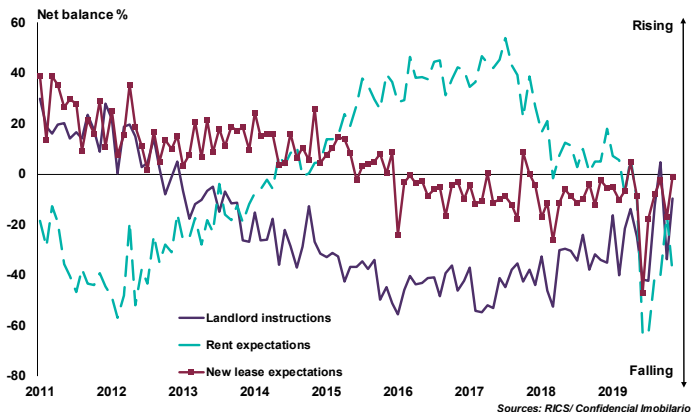


Chart 2: Lettings market indicators



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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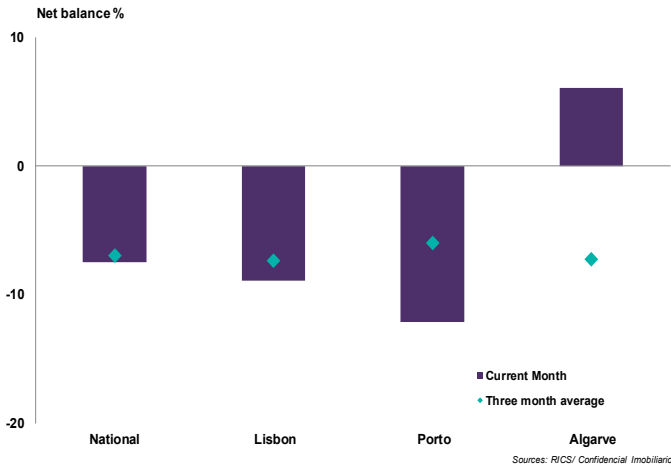
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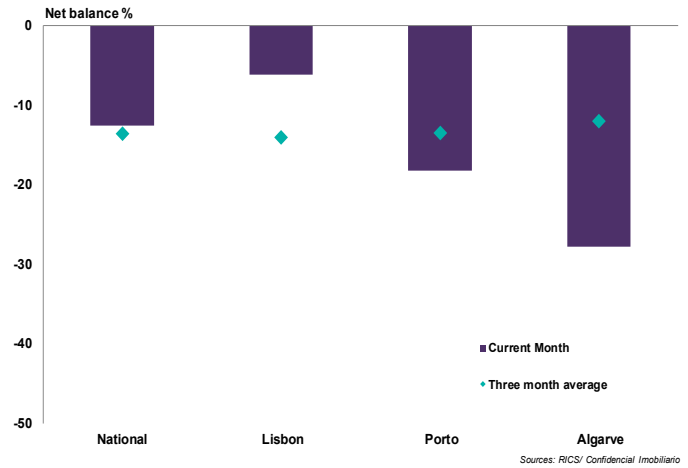
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Sales Market Charts

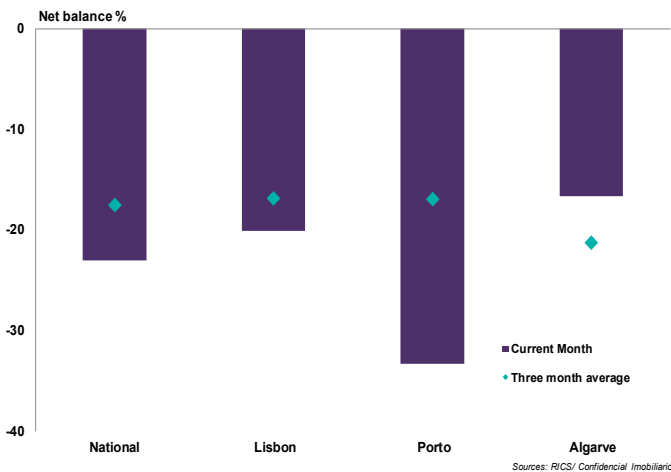
Prices (last three months) by Region



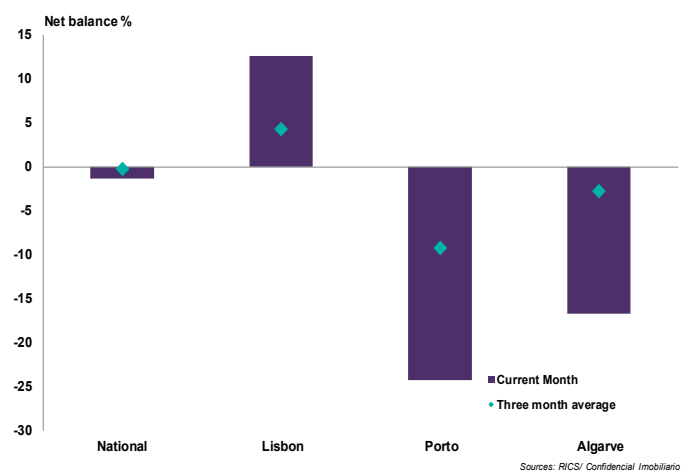
Promised Sales (past month) by Region



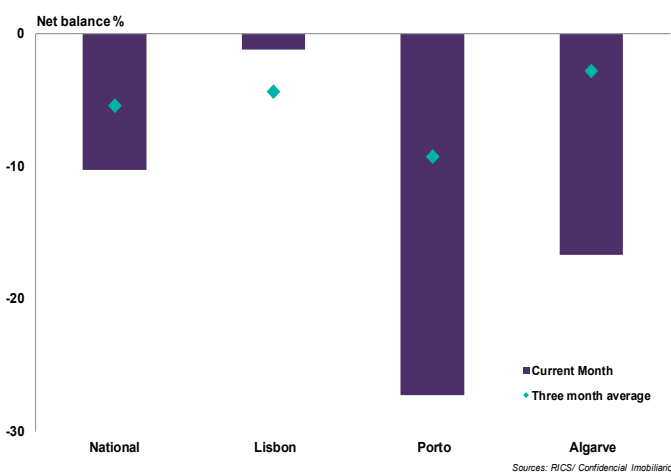
Price Expectations (next three months) by Region



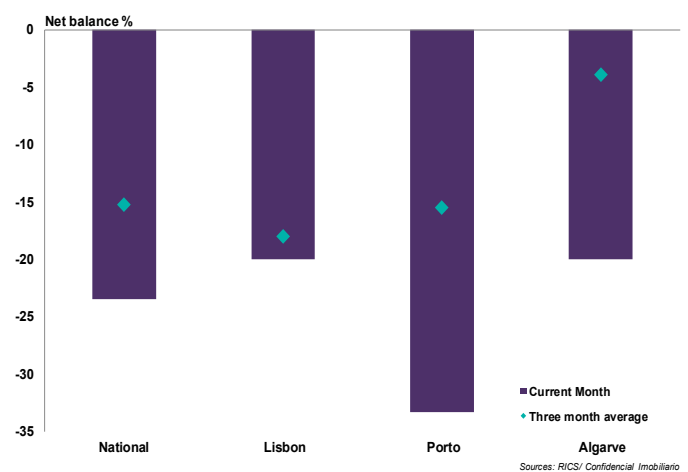
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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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.

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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Confidence through professional standards

RICS promotes and enforces the highest professional qualifications 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.

We accredit 118,000 professionals and any individual or firm registered with RICS is subject to our quality assurance. Their expertise covers property, asset valuation and real estate management; the costing and leadership of construction projects; the development of infrastructure; and the management of natural resources, such as mining, farms and woodland. From environmental assessments and building controls to negotiating land rights in an emerging economy; if our members are involved the same professional standards and ethics apply.

We believe that standards underpin effective markets. With up to seventy per cent of the world's wealth bound up in land and real estate, our sector is vital to economic development, helping to support stable, sustainable investment and growth around the globe.

With offices covering the major political and financial centres of the world, our market presence means we are ideally placed to influence policy and embed professional standards. We work at a cross-governmental level, delivering international standards that will support a safe and vibrant marketplace in land, real estate, construction and infrastructure, for the benefit of all.

We are proud of our reputation and we guard it fiercely, so clients who work with an RICS professional can have confidence in the quality and ethics of the services they receive.

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