

December 2020 RICS/Ci Portuguese Housing Market Survey

Sales market activity remains subdued

- **New buyer enquiries still in decline**
- **Near term expectations remain muted**
- **Demand stable across the lettings market**

Summary:

The December 2020 RICS/Ci PHMS results continue to signal a relatively lacklustre market backdrop, with demand still reported to be in decline and sales expectations pointing to little in the way of improvement over the near term. In the lettings market, demand remained steady for a second successive month, although rents are still expected to come under downward pressure going forward.

During December, a headline net balance of -25% of contributors saw new buyer enquiries decline, compared with a figure of -34% in November. This marks the fifth consecutive negative monthly reading as demand continued to decline in each region covered (Lisbon, Porto and the Algarve). At the same time, the flow of new instructions coming onto the sales market deteriorated further, posting a net balance of -42% (down from -27% previously).

Agreed sales were also reported to have fallen over the month, evidenced by a net balance of -27% of respondents noting a decline. For the time being, near term sales expectations suggest this subdued momentum is likely to persist over the coming three months, as the net balance remained more or less unchanged at -24%.

The headline indicator on house price inflation registered a net balance of -4%, moving into broadly neutral territory following readings of -10% returned in each of the previous three months. Looking ahead, respondents now anticipate price declines of around -1.5% at the headline level over the coming twelve months. That said, expectations are virtually flat across the Algarve, with price declines anticipated to be focused in Lisbon and Porto.

The national confidence index returned a value of -25 in December, marginally less negative than -30 recorded in November. Nevertheless, the latest reading continues to point to weak sales market momentum persisting over the near term.

In the lettings market, a net balance of +6% of respondents cited an uptick in tenant demand, albeit a reading so close to zero is more consistent with a stable trend rather than any real increase. Alongside this, landlord instructions continued to decline, while a net balance of -22% of survey participants saw rents pull back to some degree during December.

Ricardo Guimarães, Director of Ci: “The latest results show that the market, as well as the whole country, had almost no time to celebrate the vaccine’s arrival. The escalation of the pandemic over recent weeks renews pressure both on demand and supply dynamics, with several respondents stating that new enquiries decreased, conditioning the near-term perspectives. Nevertheless, market predictions for the next 12 months, according to the survey, are pointing to price stability, with a marginal 1.4% adjustment. The success of the vaccine and pandemic controls are the key.”

RICS Chief Economist, Simon Rubinsohn: “With the pandemic continuing to take a significant toll on the economy, it understandable that confidence remains fragile amongst businesses and households. Reflecting this, a strong majority of consumers responding to the latest European Commission survey state they are not confident in making a major purchase during the current climate. The latest PHMS portray a similar message, with uncertainty over the future path of the pandemic likely to continue to constrain activity in the coming months.”

Chart 1: Sales market indicators

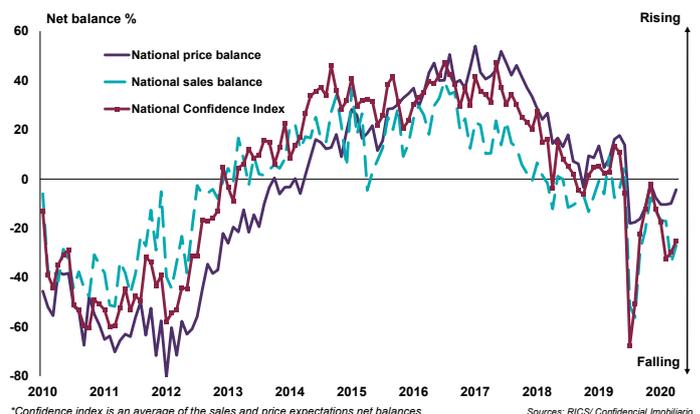
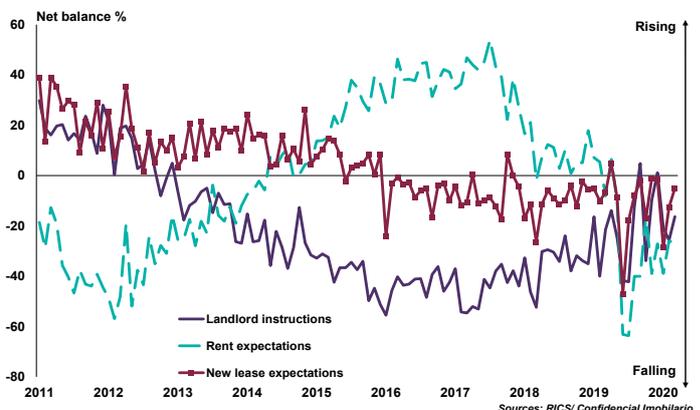


Chart 2: Lettings market indicators



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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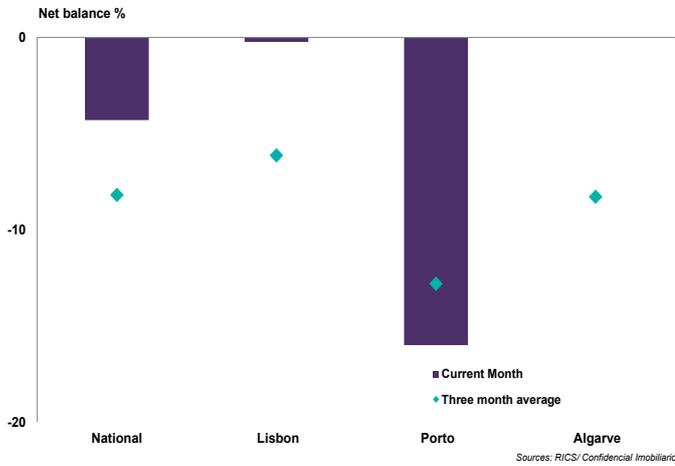
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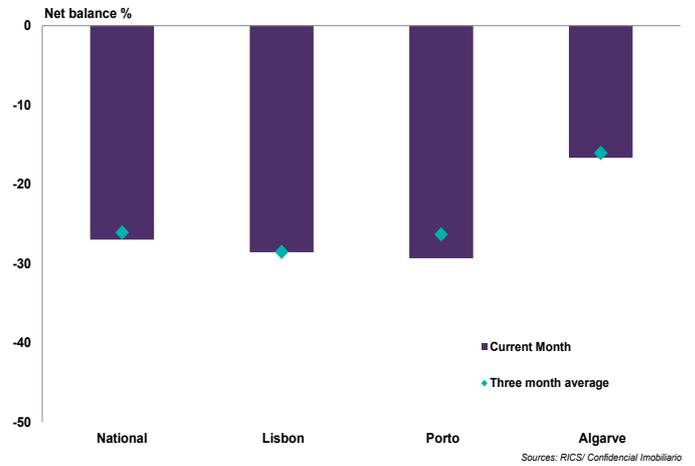
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Sales Market Charts

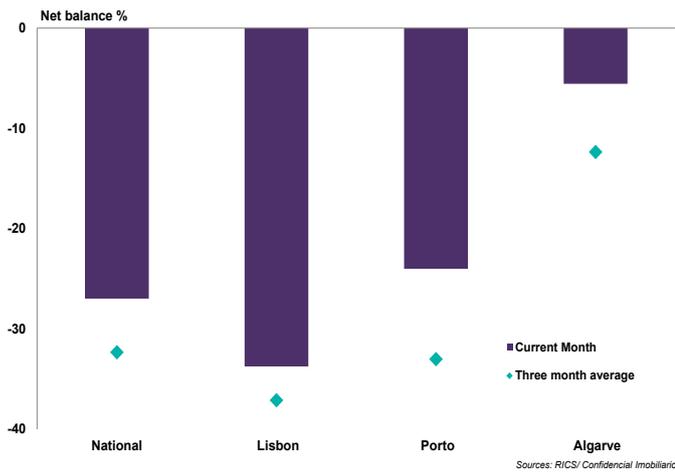
Prices (last three months) by Region



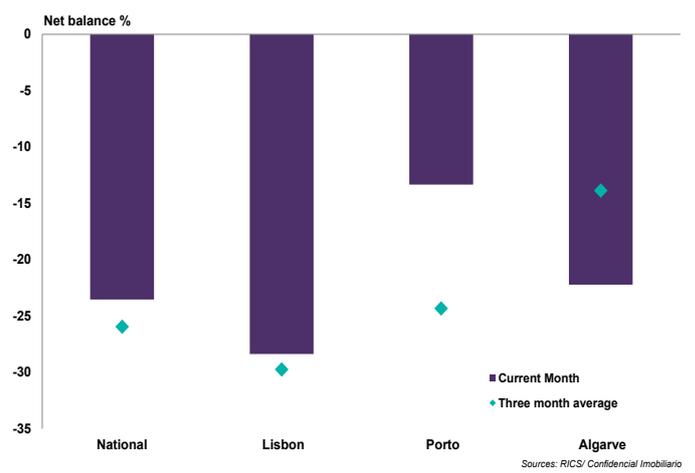
Promised Sales (past month) by Region



Price Expectations (next three months) by Region



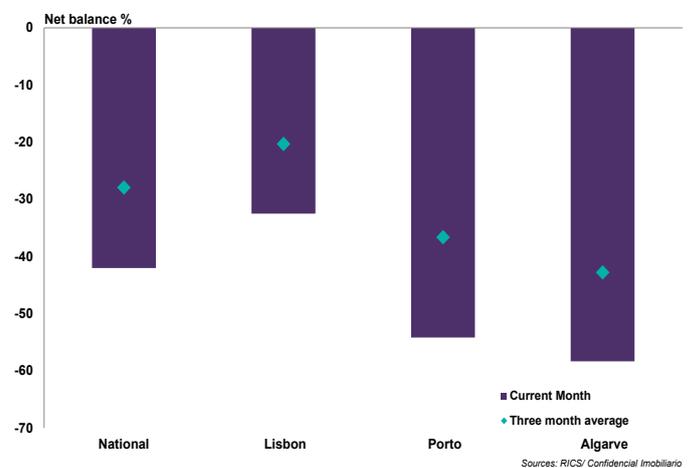
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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Survey sponsors

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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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