

October 2020 RICS/Ci Portuguese Housing Market Survey

Near term outlook weakens further

- Buyer demand slips over the month
- Price and sale expectations deteriorate further
- Tenant demand also softens slightly

Summary:

The October 2020 RICS/Ci PHMS results show sentiment turning somewhat more cautious regarding the near term outlook across the sales market. Both sales and prices are anticipated to come under pressure over the next three months, with the economy continuing to grapple with the challenges posed by the pandemic. That said, some of the expected reduction in activity through the rest of the year can also likely be attributed to seasonal factors.

New buyer enquiries were reported to have fallen according to a net balance of -25% of respondents in October. As such, this represents the weakest monthly reading since April. Furthermore, enquiries are now falling in each region covered (Lisbon, Porto and the Algarve). At the same time, new instructions coming onto the sales market also continued to dwindle, evidenced by a net balance of -15% of contributors noting a drop.

Alongside this, a headline net balance of -17% of respondents cited a decline in newly agreed sales over the month (identical to last month's net balance). Going forward, sales are seen continuing to slip over the coming three months, with the net balance for the sales expectations series falling to -29% from -13% in September.

In terms of house prices, momentum over recent months has remained relatively stable. Indeed, the latest net balance of -10% is unchanged from that returned in September and is still consistent with a very slight dip in house prices. Looking ahead, expectations for the coming three months are altogether more negative, with a net balance of -36% of survey participants anticipating a drop in house prices through to the end of the year.

The national confidence index (an amalgamation of near term price and sales expectations) fell back to -32 in October, down from -18 previously. Again, this is the weakest reading since April and is a strong indication that the second wave of the pandemic has knocked confidence.

In the lettings market, tenant demand also suffered a setback following two successive monthly increases beforehand. As a result, a net balance of -39% of contributors expect rents to fall further over the next three months.

Ricardo Guimarães, Director of Ci: "A second "covid wave" is not a surprise, especially when entering the autumn and winter seasons. Nevertheless, it was not expected to be greater than the first one, exceeding March and April figures. Everybody is now expecting the worst case scenario, with a new lockdown, even if not as strict as the previous one. Naturally, this has a negative impact on market expectations, especially for the near future, impacting both the sales and rental markets. New enquiries fell compared to September, showing a retraction from potential demand that might have impact on near future deals."

RICS Chief Economist, Simon Rubinsohn: "Despite recent data showing the Portuguese economy expanded by 13.3% in Q3, this still leaves a significant shortfall to make up compared with prior to the pandemic. Unfortunately, new restrictions imposed of late will set the economy back and it seems likely that GDP will end the year around 8% below 2019 levels. Consequently, the labour market is likely to remain under pressure over the coming months, and this could carry negative repercussions for confidence across the housing market."

Chart 1: Sales market indicators

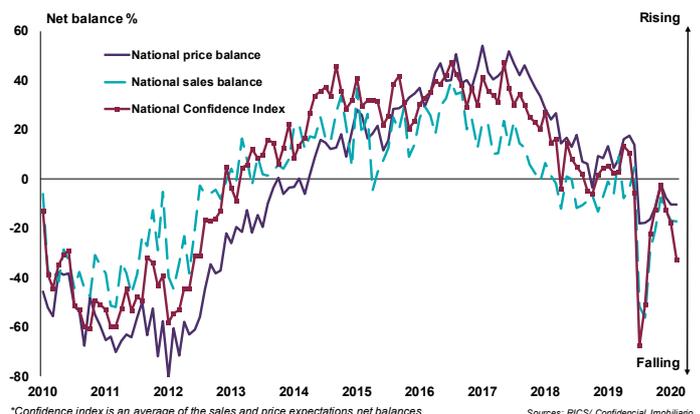
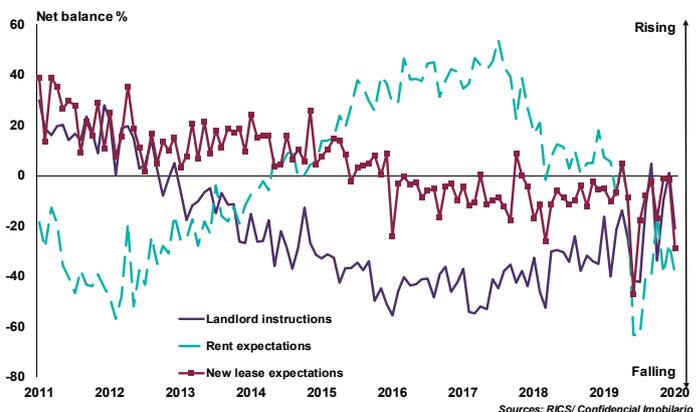


Chart 2: Lettings market indicators



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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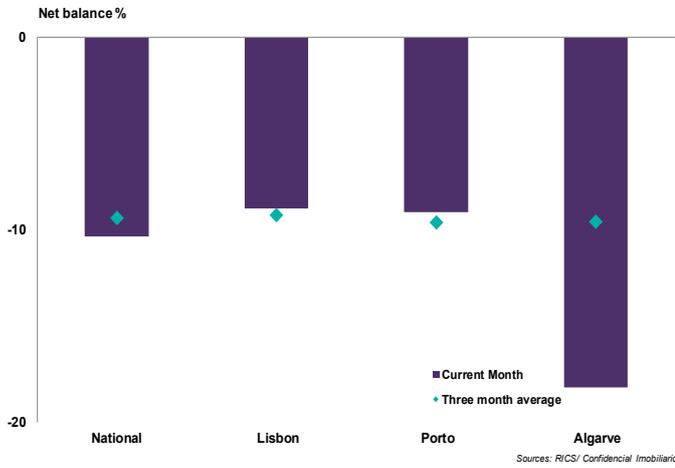
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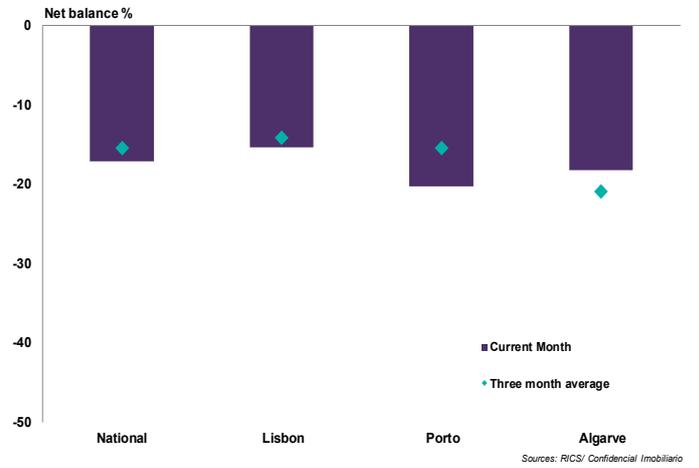
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Sales Market Charts

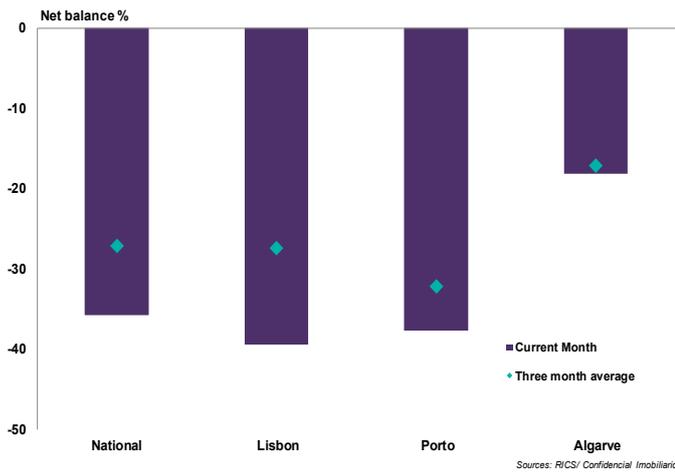
Prices (last three months) by Region



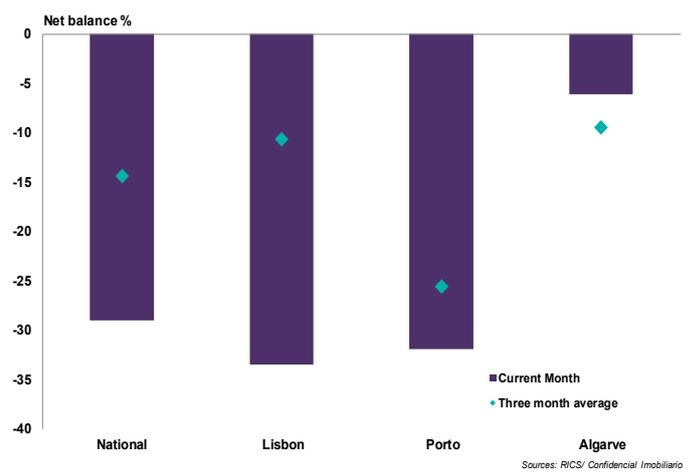
Promised Sales (past month) by Region



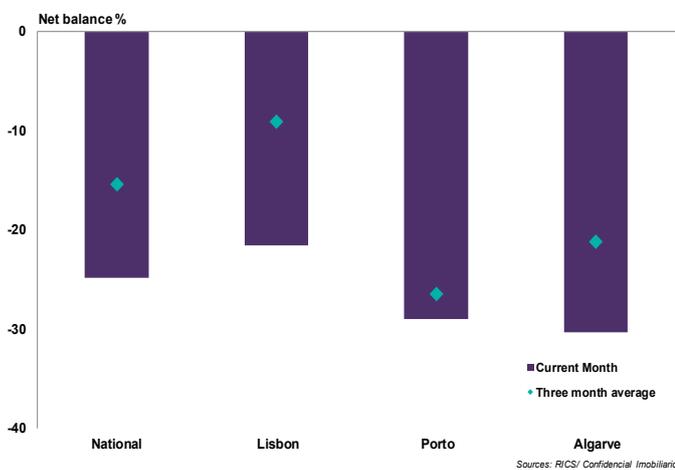
Price Expectations (next three months) by Region



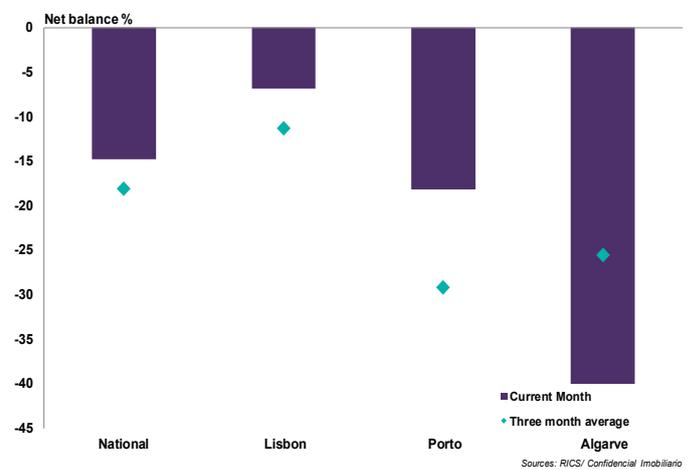
Sales Expectations (next three months) by Region



New Buyer Enquiries (past month) by Region



New Instructions to Sell (past month) by Region



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

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.

Survey respondents

RICS and Confidencial Imobiliário are grateful to the following people:

Afonso Henriques, Rentabilizar, Lda, Olhão, 289705096, afonso@rentabilizar.com, www.rentabilizar.com

Ana Machado, Imoexpansão-Sociedade de Medi, Figueira da Foz, 919958255, info@imoexpansao.pt, www.imoexpansao.pt

Ana Perestrello, Claustro- Soc. Med. Imobiliária, Lisboa, 917 293 677, ap@clastro.com.pt, www.clastro.com.pt

Anabela Flores, Frames, Lda, Oeiras, 214460040, anabela@frames.pt, www.frames.pt

Antonio Azevedo Coutinho, Antonio Azevedo Coutinho, Lda, Lisboa., 917236932, aac.azevedocoutinho@gmail.com, <http://mariajosejonet.com/>

António Carvalheira, Madehouse, Lisboa, 217111333, a.carvalheira@madehouse.pt, www.madehouse.pt

António Nunes, Siimgroup Capital, Lisboa, 213514260, aanunes@remax.pt, www.remax.pt/siimgroupcapital

Armando Alves, Imopredial Century21, Lisboa, 212725760, gerencia.imopredial@century21.pt, www.century21.pt/imopredial

Armando Januário Augusto, Porto Real, Porto, 912963387, ajanuario@portoreal.pt, www.portoreal.pt

Artur Barroso, Artur Barroso, Porto, 936056540, arturbarroso67@gmail.com, www.itmimobiliaria.pt

B.Naves Osório, Europredial, Lisboa, 213243800, naves.osorio@europredial.com, www.europredial.com

Balsa Invest, Balsa Invest, Faro, 964368572, balsainvest@gmail.com, www.balsainvest.pt

Bertin Hervé Matias Picanço, Bertin Picanço-Med.Imob. UnipLd, Faro, 289823119, geral@bertinpicanco.pt, www.bertinpicanco.pt

Bruno Martins, Belas Clube de Campo, Sintra, 938033938, brunomartins@planbelas.pt, www.belasclubedecampo.pt

Bruno Mata, Best Place, Odivelas, 961388231, bruno.mata@bestplace.pt, www.bestplace.pt

Carla Runa, Alvarez Marinho, Torres Vedras, 261319110, geral@alvarezmarinho.pt, alvarezmarinho.net

Carla Santos, Go Imobiliária, Lda, Santarém, 915084892, go@goimobiliaria.com, www.goimobiliaria.com

Carlos Figueiredo, Maxidomus, Lda, Cascais, 214568310, cfigueiredo@remax.pt, www.remax.pt/parede

César Neto, César Neto, Lisboa, 916250400, cesarsilvaneto@gmail.com

Dialprogresso, Dialprogresso - Mediação Imobiliária, Gondomar, 224854770, geral@dialprogresso.pt, www.dialprogresso.pt

Estela, Empril, Vila Nova de Gaia, 223773310, estela@empril.pt, www.empril.pt

Eugénia Pereira, The K Advisors, Lisboa, 21930900, eugenia.pereira@thekadvisors.c, www.the-k-advisors.com

Fátima Carvalho, Personalité Premier, SMI, Lda, Guimarães, 253433545, geral@personaliteimobiliaria.com, personaliteimobiliaria.com

Fátima Figueiredo, Cenario Atlantico, Caldas da Rainha, 262824221, cenario.atlantico@sapo.pt, properties-villas-portugal.eu

Fernanda Santos, UBMI Portugal, Lisboa, 218937070, fernanda.santos@ubmi.pt, www.ubmi.pt

Fernando Gamboa, Sétimo Ambiente, Lisboa, 967872678, dir@setimoambiente.com, www.setimoambiente.com

Fernando Maximino, FIG Algarve Property, Portimão, 963857900, fmaximino@figalgarveproperty.com, www.figalgarveproperty.com

Fernando Moutinho, Arcobarca Mediação Imobiliária, Arcos de Valdevez, 258101838, geral@arcobarca.pt, www.arcobarca.pt

Fernando Silva, Rigor Mediação Imobiliária, Maia, 229445600, fernandosilva@rigor.pt, www.rigor.pt

Francisco Bacelar, Forma Régia - Med Imob Unip Lda, Matosinhos, 967042914, francisco.bacelar@vilalusa.pt, www.vilalusa.pt

Francisco Mexia Alves, Nolon, Lisboa, 211223444, francisco.mexia@finsolutia.com, www.nolon.pt

Francisco Quintela, Quintela e Penalva Associação, Lisboa, 212454059, fquintela@quintelaepenvalva.pt, www.quintelaepenvalva.pt

Francisco Sousa, Jopredi, Cascais, 966005900, franciscosousa@jopredi.pt, www.jopredi.pt

Gilmar Freitas, Interfax SMIL, Seixal, 212550528, interfax@interfax.pt, www.interfax.pt

Helder Silva, João Silva - med Imob Lda, Ponte de Lima, 258742797, joaosilva@imoguia.com, www.joaosilva-imobiliaria.com

Henrique Rocha, Ria Properties, Olhão, 962461623, henrique.rocha@riaproperties.pt, www.riaproperties.pt

Humberto Reduto, Reilar, Loures, Lisboa e VFXira, 219441155, humbertoreduto@reilar.pt, www.reilar.pt

Idalina Gomes, EuCasa - Valor Permanente,Lda, Palmela, 938792037, idalina@eucasa.pt, www.eucasa.pt

Isabel Pinho, Acrosscoast Med Imob, Lisboa, 932984109, acrosscoast1@gmail.com, www.acrosscoast.pt

Jack Rebelo, Marketingeste Lda, Almada, 917512305, marketingest@mail.telepac.pt

Joana Macedo, Meet Your Home, Lisboa, 213630032, joanamacedo@meetyourhome.pt, <https://www.meetyourhome.pt/>

João Luís Alves Martins, Predicema Proj. e Const. Lda, Oeiras, 214694683, joaolamartins@gmail.com

João Martins do Vale, Chebadol, Lisboa, 968585146, jmvale@netcabo.pt

Joaquim Santos, Global Trade, Gondomar, 913007440, globaltrade.gondomar@gmail.com, www.globaltrade.pt

Jorge Basto Sobreira, Esfera - Gestão de Activos, Maia, 222445540, negocios@esferaimobiliaria.com

Jorge Manuel Dantas Varandas, Preditur - SMI Lda, Lisboa, 217994830, preditur@preditur.pt, www.preditur.pt

Jorge Martinho, AjMartinho Imobiliária, Porto, 226093775, geral@ajmartinho.pt, www.ajmartinho.pt

José Peixoto, Remax Braga, Braga, 253209510, braga@remax.pt, www.remax.pt/braga

Justino Barbosa, Grau12 Mediação Imobiliária Ld, Sesimbra, 212105430, grau12@gmail.com, www.grau12.pt

Liliana Marcos, Liderselect - Med. Imob. Unip., Torres Vedras, 261938096, comercial@liderselect.com, <http://liderselect.com/>

Luis Mario Nunes, Rede ComprarCasa, Lisboa, 213850165, luis.nunes@comprarcasa.pt, www.comprarcasa.pt

Manuel Neto, Lane Mediação Imobiliária, Lda, Lisboa e Cascais, 210 170 425, manuel.neto@laneportugal.com, www.laneportugal.com

Survey respondents

RICS and Confidencial Imobiliário are grateful to the following people:

Manuel Passos, Oimovelkeker, SMI, Lda, Abrantes, 241331613, imovelkekeo@gmail.com, www.kazaki.pt

Manuel Pereira, Caisnorte, Valongo, 917506642, manuel.pereira@caisnorte.com, www.caisnorte.com

Marcos Drummond, VIC Properties, Lisboa, 966228945, m.drummond@vic-properties.com, https://www.vic-properties.com

Marlene, Porta do Alentejo, Évora, 2667333333, portadoalentejo@century21.pt, www.century21.pt

Marta Figueiredo, B. Prime, Lisboa, 937990094, marta.figueiredo@bprime.pt, www.bprime.pt

Martinho Bica, Megamob, Lda, Benavente, 263516841, megamob@megamob.com.pt, www.megamob.com.pt

Maryse Ildefonso, Maxoja Med. Imb. Lda / REMAX Tavira, Tavira, 281320080, mildefonso@remax.pt, www.remax.pt/tavira

Miguel Goncalves, White Properties Lda, Cascais, 964422148, imobiliaria@whiteproperties.pt, www.whiteproperties.pt

Miguel Rocha, Century 21 Dreamline, Carcavelos, 919251717, miguel.rocha@century21.pt, http://century21.pt/dreamline

Nélia Ferreira, Garvetur, Loulé, 289322488, vendas@garvetur.pt, www.garvetur.pt

Nuno Anjos, Anjos, Guia & Vitorino - S.M.I, Peniche, 262798010, nanjos.penicheobidos@era.pt, www.era.pt/penicheobidos

Nuno Leite, NL Imobiliaria, Lisboa, 217528030, geral@nlimobiliaria.pt, www.nlimobiliaria.pt

Nuno Paulo Ferreira Campos, Rotaplus -Mediação Imobiliária, Maia, 229446388, nunocampos@rotaplus.pt, www.rotaplus.pt

Nuno Rocha, Plano Inclinado, Porto, 225371459, nuno.rocha@plano-inclinado.pt, www.plano-inclinado.pt

Nuno Vidal, Imovidal, Oeiras, 911779991, nuno.vidal@imovidal.pt, www.imovidal.pt

Patrícia Barão, JLL, Lisboa, 961772235, Patricia.barao@eu.jll.com, Www.jllresidencial.pt

Paula Gonçalves - Sociedade de, Paula Imobiliária, Montijo, 933235362, comercial@paulaimobiliaria.pt, www.paulaimobiliaria.com

Paulo Oliveira, MCaldas, Braga, 967616357, gera@mcaldas.pt, MCaldas.pt

Paulo Pereira, Espaço Zone, SMI, Cascais, 932580767, paulopereira@espacozone.pt, www.espacozone.pt

Paulo Pinto, Remax Vintage, Porto, 226181031, vintage@remax.pt, www.remax.pt/vintage

Pedro Bolexa, Formula Prime, Loulé, 289324667, admin@formulaprime.pt, www.formulaprime.pt

Pedro Gabriel, Gold Team - M. I., Lda., Caldas da Rainha, 262877503, pgabriel@casagold.pt, www.casagold.pt

Pedro Pinha, Novimed, Lisboa, 217815770, ppinha@novimed.pt, www.novimed.pt

Pedro Pires, Openbook, Lisboa, 210960610, pedro.pires@openbook.pt, www.openbook.pt

Rafael Ascenso, Porta da Frente, Cascais, 939276323, rascenso@portadafrente.pt, www.portadafrente.pt

Raquel Coutinho, Matriz Invicta Lda., Porto, 224021094, geral@matrizinvicta.pt, www.matrizinvicta.pt

Ricardo Bettencourt, RB Real Estate-Ricardo Bettenc, Lisboa, 211229257, r.bettencourt@rbrealestate.pt, www.rbrealestate.pt

Ricardo Calição, Erainveste, Loulé, 910500969, ricardo.calico@buymeproperty.pt, buymeproperty.pt

Rui Alves, Predipovoa Imobiliária, Póvoa de Varzim, 252611585, imo@predipovoa.com, www.predipovoa.com

Rui José Cardoso Constantino, Medinegócios, Lda, Montijo, 210842500, rui.constantino@medinegocios.com, www.medinegocios.com

Sandra Viana, Loba, Lisboa, 211342281, sandra@loba.house, www.loba.house

Sílvia de Oliveira, Homa-Consultoria Imobiliária, Oeiras, 214149312, geral@homa.com.pt, www.homa.com.pt

Tiago Gouveia, Fullhouse - Remax Mais, Loures, 219946710, mais@remax.pt, www.remax.pt/mais

Tiago Gouveia, Addsolid, Amadora, 210103950, tpinto@addsolid.com, www.addsolid.com

Tissyane Scott, Marcela Properties, Lagos, 282788977, info@marcelaproperties.com, www.marcelapropriedades.com

Valentim Costa, Utbinvest - Realvilla, Vilamoura, 917559944, vcosta@urbinvest.pt, www.urbinvest.pt

Vasco Manaças, Central Lisbon, Lisboa, 213714340, vasco.manacas@centrallisbon.pt, www.centrallisbon.pt

Victor da Costa, Herculano e Vitor Ida, Vila Nova de Gaia, 917535943, lf.propriedades@gmail.com, www.comprarcasa.pt

Vitor Miranda, Habiaurea, Porto, 220112077, geral@habiaurea.pt, www.habiaurea.pt



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Americas

Latin America

ricsamericalatina@rics.org

North America

ricsamericas@rics.org

Asia Pacific

ASEAN

ricsasean@rics.org

Greater China (Hong Kong)

ricshk@rics.org

Greater China (Shanghai)

ricschina@rics.org

Japan

ricsjapan@rics.org

Oceania

oceania@rics.org

South Asia

ricsindia@rics.org

EMEA

Africa

ricsafrica@rics.org

Europe

ricseurope@rics.org

Ireland

ricsireland@rics.org

Middle East

ricsmiddleeast@rics.org

United Kingdom RICS HQ

contactrics@rics.org