October 2024 RICS/Ci Portuguese Housing Market Survey

Further improvement in market conditions reported

- **Buyer demand sees modest improvement**
- **House prices continue to rise**
- **Lack of supply remains a critical issue**

Summary:

The October 2024 edition of the RICS/Ci PHMS builds slightly on the progress seen last month with several metrics displaying a modest expansion. Whilst the picture is largely positive in the sales market, with respect to current conditions and future expectations, the rental market's persistent mismatch between supply and demand remains a prominent issue.

With respect to new buyer enquiries, the indicator moved a little further into positive territory with the net balance rising from +2% last month to +5% this month. On the supply side, the net balance for new instructions has seen a noticeable downturn with the figure slipping deeper into negative territory at -15% for October. This decline can be largely attributed to Porto, where the regional net balance reading fell from -10% last month to -35% this month.

Moving over to the volume of sales, this metric has also strengthened, with the net balance of +7% up from last month's reading of +2%. Interestingly, whilst the headline aggregate net balance may be positive, Lisbon is the only region with a positive reading (+27%), with both Porto and Algarve in negative territory, at -17% and -28% respectively. Looking forward, sales expectations remain consistent with an upturn in activity in the months ahead, with a net balance of +13% (marginally below September's +17%) of respondents anticipating an increase in sales.

Alongside this, house prices continue to gain momentum with October's net balance of +27% representing a further, marginal, increase from last month's +24%. Price expectations over the next 3-months also remain positive, returning a net balance of +18% for October (with Porto exhibiting the firmest of +28%). This latest headline result marks the fifth consecutive month of positive readings for price expectations.

Within the lettings market, tenant demand remains elevated with a net balance of +31%, closely aligned with September's +32% and August's +33%. Landlord instructions continue to sit firmly in negative territory however, with the net balance of -14% largely unchanged from -12% last month. Consequently, it is unsurprising that rental prices continue to rise as indicated by the net balance reading of +19% for the month, maintaining the strong upward trend seen over a prolonged period. Despite the sustained imbalance between supply and demand, rental expectations have surprisingly fallen to zero, a notable shift to the strongly positive figures seen in recent months.

Ricardo Guimarães, Director of Ci: "The market recovery seems to be underway and not merely a projection. October's Confidencial Imobiliário's house price index reached a 11.5% yoy variation, a sharp acceleration after July's low of 7.5%. At the same time, sales are predicted to have risen more than 20% since the end of 2023 according to SIR database. This change is happening quickly and is largely a result of the existing market imbalance, namely the supply shortage. The market is expected to face significant pressure in the coming months, with prices rising from an already unaffordable starting point."

Tarrant Parsons, RICS Head of Market Analytics: "Despite growth for Q2 coming in slightly lower than anticipated, the economic outlook for Portugal remains strong, with domestic demand likely to pick-up, driven by income tax cuts and additional support given to pensioners. The approval of Budget 2025 provides much-needed clarity, as reflected in the metrics seen in the survey. Nevertheless, geopolitical and economic uncertainty remains a key risk, while Trump's stance on trade policy may carry negative effects for European exports. "
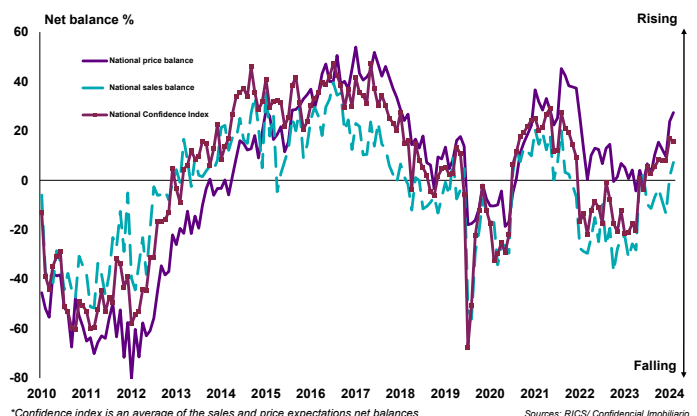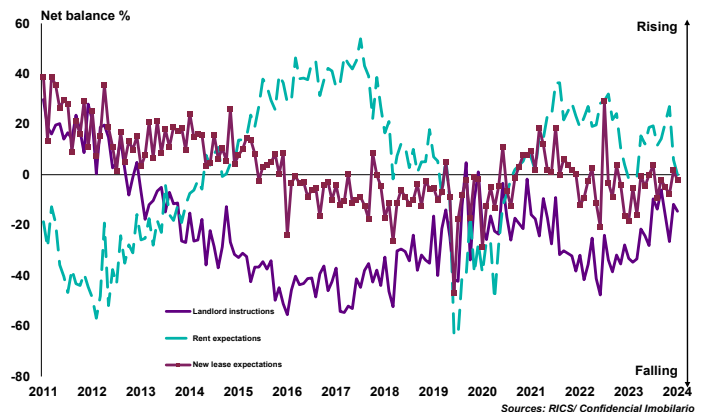
Chart 1: Sales market indicators

Net balance %

- National price balance
- National sales balance
- National Confidence Index

Confidence index is an average of the sales and price expectations net balances

Sources: RICS/ Confidencial Imobiliario

Chart 2: Lettings market indicators

Net balance %

- Landlord instructions
- Rent expectations
- New lease expectations

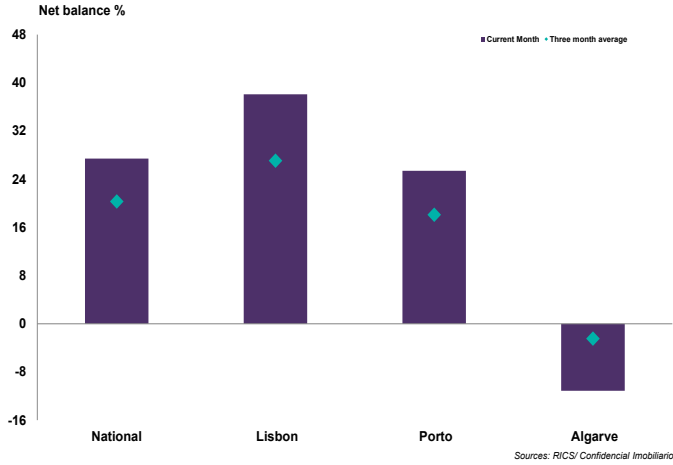Sources: RICS/ Confidencial Imobiliario

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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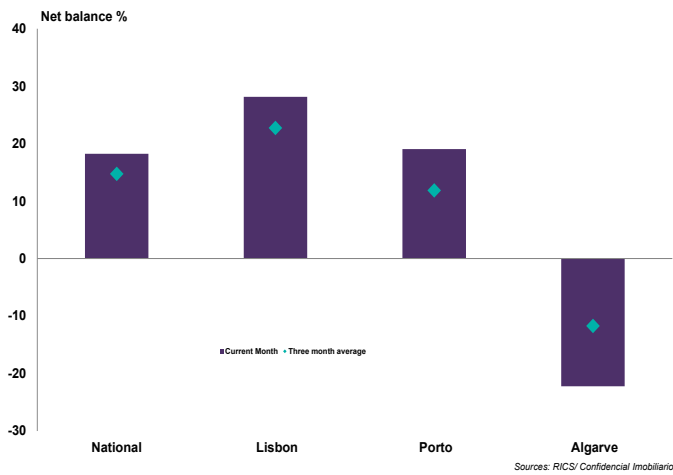
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Sales Market Charts

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
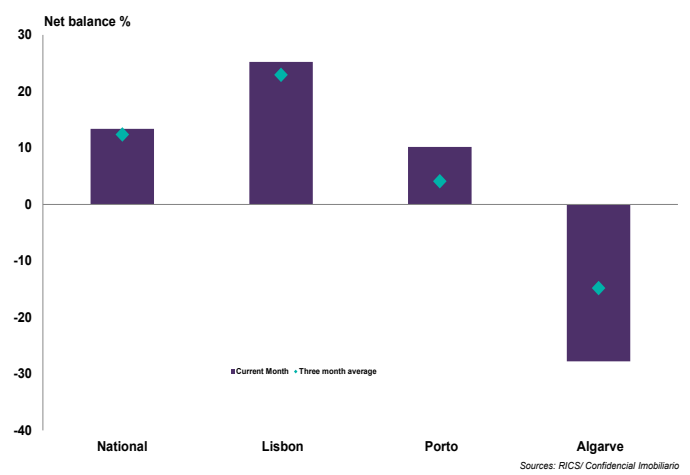
New Buyer Enquiries (past month) by Region

Net balance %

■ Current Month ◆ Three month average

National · Lisbon · Porto · Algarve

Sources: RICS/ Confidencial Imobiliario
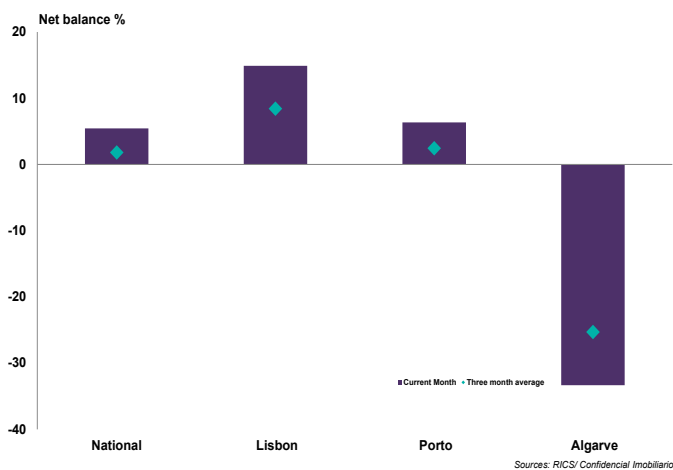
New Instructions to Sell (past month) by Region

Net balance %

■ Current Month ◆ Three month average

National · Lisbon · Porto · Algarve

Sources: RICS/ Confidencial Imobiliario
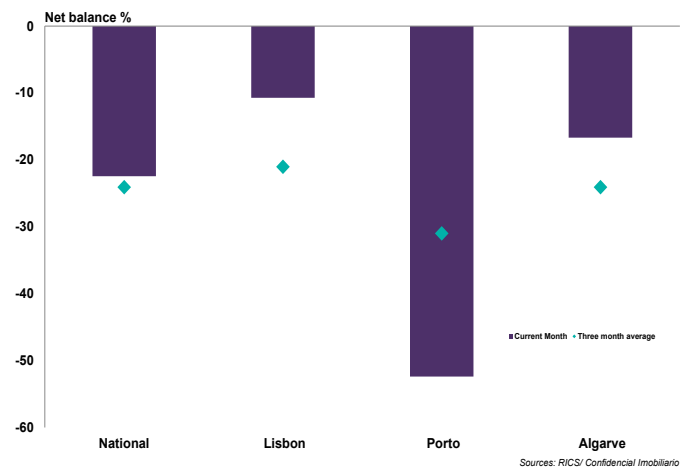
Information

For further information please contact:

Ci Press Office: Ricardo Guimarães

Tel: +351 22 208 50 09/+351 93 222 24 84

Email: rguimaraes@confidencialimobiliario.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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