

# RICS/Ci Portuguese Housing Market Survey

PRESS RELEASE (See notes for editors on page 3)

OCTOBER 2011 SURVEY

EMBARGOED UNTIL TUESDAY 29<sup>th</sup> NOVEMBER

## Rental transactions surge on strong demand

### Key points:

- Survey now includes the rental market; activity is booming
- Agents expect further increases in rental transactions
- Sales market remains weak

### Summary:

The October RICS/Ci Portuguese Housing Market Survey (PHMS) shows a further deterioration in demand, supply confidence and prices. The National Confidence index fell from -53 to -60 and the National Price balance improved marginally from -65 to -64, but remains deeply negative.

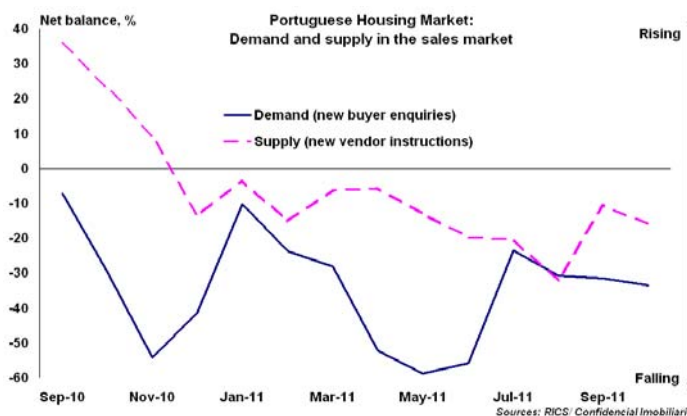
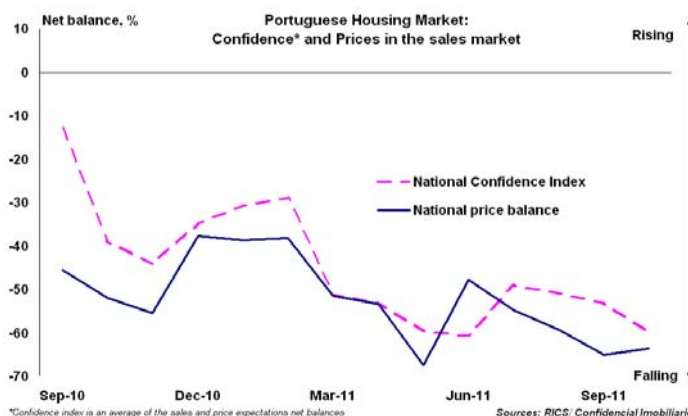
Price declines continue to be driven principally by falling demand. Indeed, rising supply is not presently an issue, with new vendor instructions falling consistently this year.

Until September, developers had generally been less negative than agents. However, the October survey

provides further evidence that developers are now becoming less resilient to adverse market conditions. Indeed, for the second consecutive month developers reported roughly similar price expectations and falls in prices.

The survey's coverage has now been extended to the rental sector, which appears to be benefiting from ongoing weakness in the sales market. At the national level, demand for rented property and new lettings instructions both increased sharply, though rents declined. Respondents expect further falls in rents but continued strong rises in lettings volumes.

At the regional level, house prices and rents are falling across Lisbon, Porto and the Algarve, but the sharpest falls are being recorded in the latter. However, rental transactions are also expected to increase fastest in the Algarve.



**CI Spokesman, Ricardo Guimaraes says:** “The PHMS has extended its coverage to the rental market, after much anecdotal evidence from agents indicating this sector of the residential market is beginning to emerge from the crisis. Tight credit conditions are pushing both households and homeowners to the rented sector; households can't access mortgage finance to purchase a house and therefore homeowners in most cases can't sell their house. This is resulting in sharp increases in both the demand for and supply of rented accommodation.”

**RICS Senior Economist, Josh Miller says:** “Although sales volumes in the housing market continue to fall, volumes in the lettings market are booming at the moment. This is because households who can not access mortgage finance are opting for rented accommodation instead. Given the deteriorating macro economic backdrop and tightening in credit conditions that is already underway, the lettings market is therefore likely to continue experiencing high volumes of activity in the near term.”

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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.

**About RICS:** RICS is the world's leading qualification when it comes to professional standards in land, property and construction. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining RICS status is the recognised mark of property professionalism. Over 100 000 property professionals working in the major established and emerging economies of the world have already recognised the importance of securing RICS status by becoming members. RICS is a regulator of both its individual members and firms enabling it to maintain the highest standards and providing the basis for unparalleled client confidence in the sector. RICS has a worldwide network.

**Survey sponsors:** Both RICS and Ci are grateful to ADENE, Caixa Geral de Depositos, INCI and Millennium bcp for sponsoring the survey.

**About ADENE:** ADENE - the Energy Agency - is a private institution, whose mission is to promote public interest outcomes in the energy sector. ADENE engages different sectors of the economy and consumers with a view to rationalising their energy use through improved management practices and technology.

**About InCI:** The Instituto da Construção e do Imobiliário (InCI, IP) is the state regulator of real estate and construction activities. It is InCI's role to attribute the necessary licenses to operate in the fields of practice that fall within their regulatory scope.

**About Caixa Geral de Depósitos:** CGD is a state owned financial institution, which has been at the forefront of Portuguese economic and social development over the last 132 years. It is a benchmark operator in the Portuguese banking sector in terms of its support to households, companies and domestic institutions.

**About Acerca do Millennium bcp:** Millennium bcp is Portugal's largest listed bank, with more than €98 billion in assets, 5.1 million clients and 1,800 branch offices in Portugal and at its international operations. In 2010, Millennium bcp celebrates its 25th anniversary, today a leading financial institution built on a culture of innovation, technical ability and service excellence.

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## Notes For Editors

- **Total number of survey contributors this month = 103 (corresponding to 228 branches)**

### 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 **last month**, how has tenant demand for rented accommodation changed? – Net balance
8. Over the **last month**, how have new instructions to let rented accommodation changed? – Net balance
9. Over the **last month**, how have residential rents changed? – Net balance
10. Over the **next three months**, how do you expect residential rents to change? – Net balance
11. 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.

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