



# infosiiimgroup

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Monthly Report | Real Estate Market | September 2022



Lisboa | Linha de Cascais | Ribatejo | Master Minas Gerais, Brasil

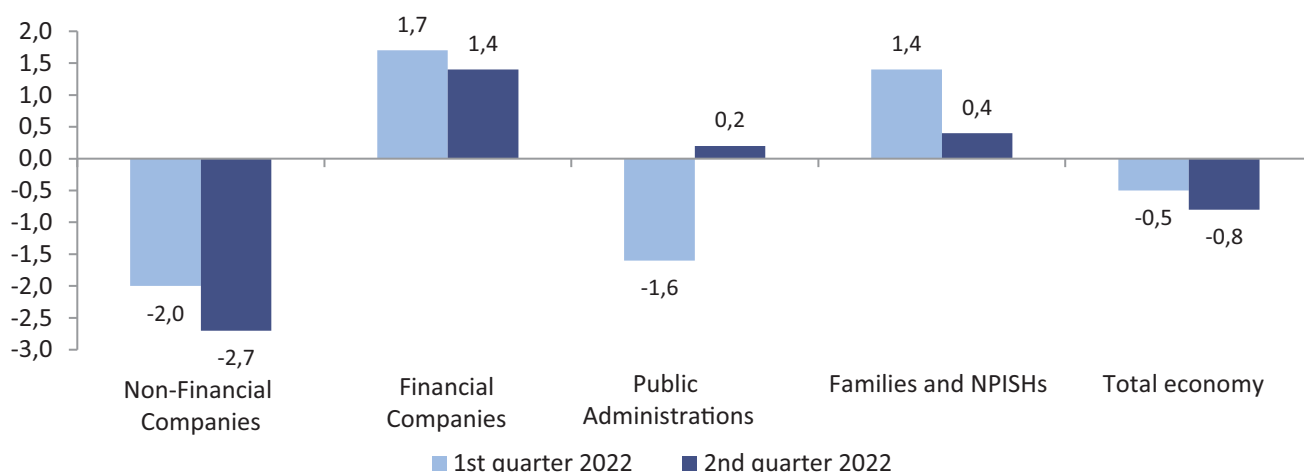


## The world has changed..

After 25 years of controlled inflation and 10 years of (super)expansionist monetary policy, we are now entering virgin territory: high inflation, rising interest rates, de-globalisation, military tension between superpowers.

For now, in Portugal in 2022, the private sector has been punished, while Public Accounts improve (provisionally...). State revenue has increased by 13% up to June, expenditure in 2022/2023 will be limited (Civil Service pay and pensions will not keep up with inflation).

**Capacidade (+) / necessidade (-) de financiamento por setor institucional (em % do PIB. ano acabado no trimestre)**



In 2023, the Portuguese economy will face tough challenges, as the factors that historically condition the development of the economy, energy prices, interest rates and growth cycle of our main partners will all be negative.

**This year the increase in tourism revenue partially offset the exploding energy prices, but this is unlikely to happen again in 2023.**

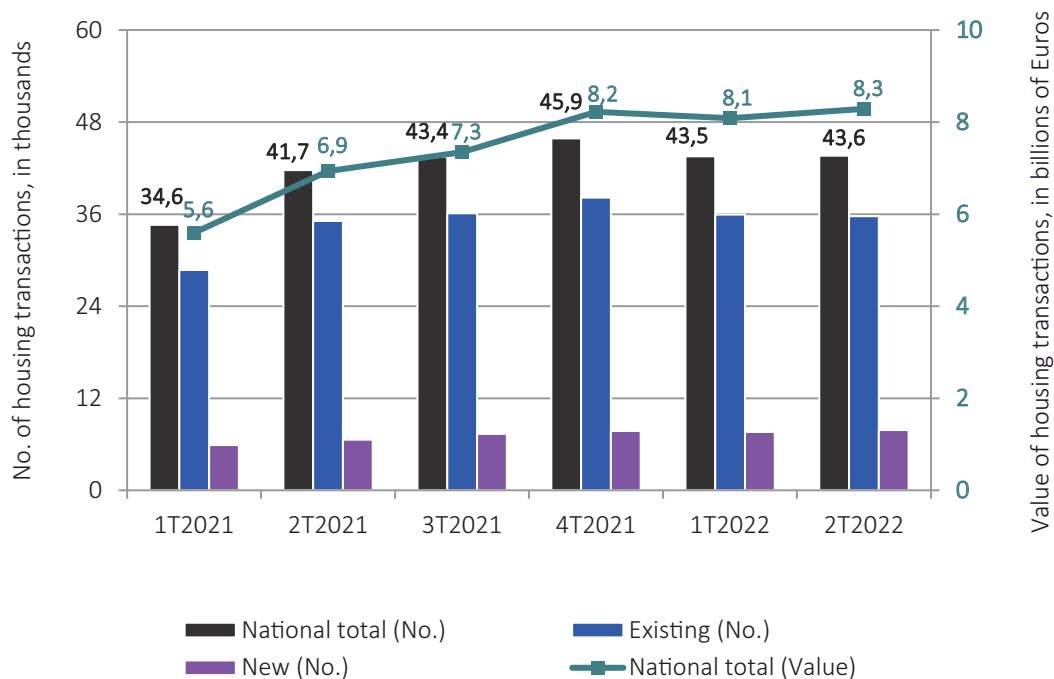


## 2nd quarter with record appreciation

As expected, INE's release of the 2nd quarter 2022 figures confirmed new records. The House Price Index (HPI) increased 13.2% year-on-year, 0.3 percentage points (p.p.) higher than in the previous quarter. The increase in prices was more significant in existing housing (14.7%) than in new housing (8.4%).

**Between April and June 2022, 43 607 houses were traded for a total value of 8.3 billion Euros, which represents an increase over the same period of the previous year, of 4.5% and 19.5%, respectively.** However, after two very strong months (April and May), in June, for the first time since February 2021, there was a decrease in the number of transactions (7.6%). Purchases by residents stagnated in the quarter, with non-resident purchasers being responsible for all of the year-on-year increase.

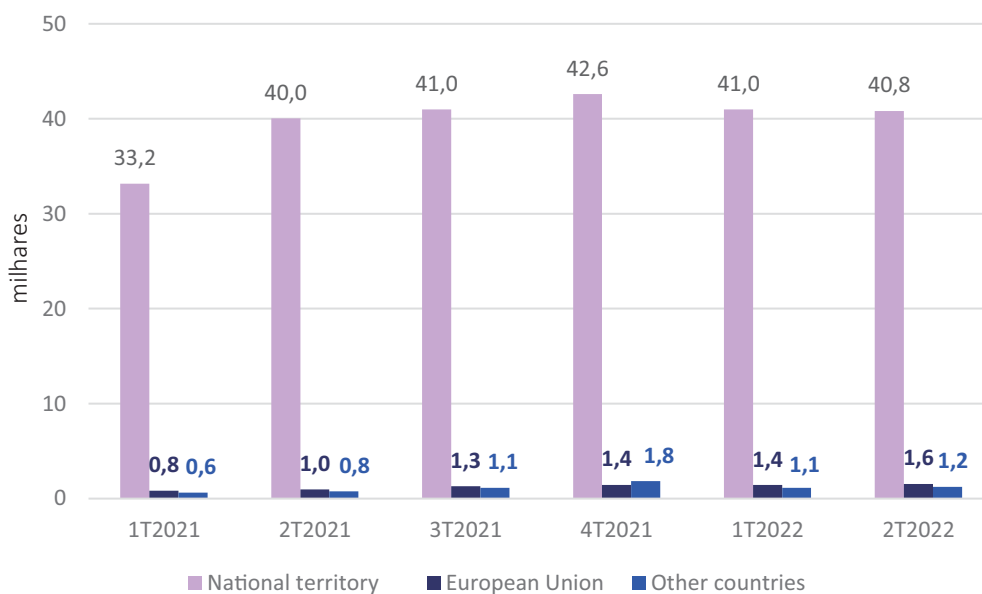
**Indicator of the number and value of housing transactions, national total, existing and new, 1Q2021-2Q2022**





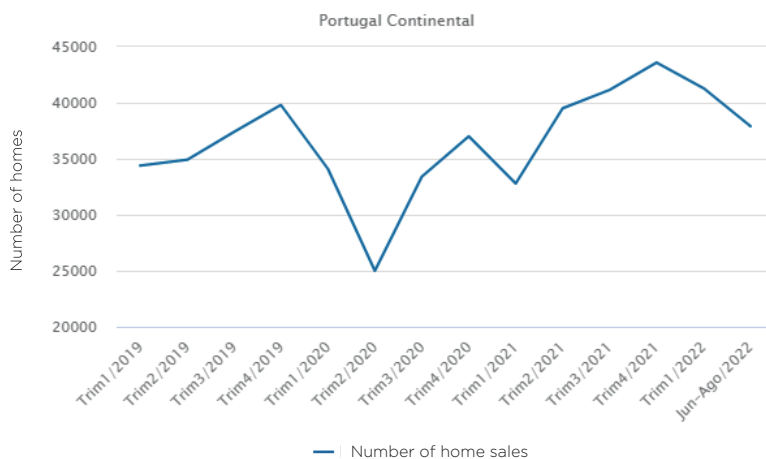
Buyers with a tax residence outside of Portugal were responsible for 6.4% of the total number of transactions (2 783 homes), corresponding to 11.9% of the total amount traded. The acquisitions relating to purchasers with tax residence in the European Union amounted to 1 555 units, up 62.0% compared to the same period of 2021; **the category of tax residence in Other Countries totalled 1 228 transactions, resulting in a year-on-year increase of 63.1%.**

**Indicator of the number of housing transactions, by tax residence of the purchaser, 1Q2021-2Q2022**



It should be recalled that the projections made by Confidencial Imobiliário point to a drop in sales of 8% in the period July / August.

### Home sales

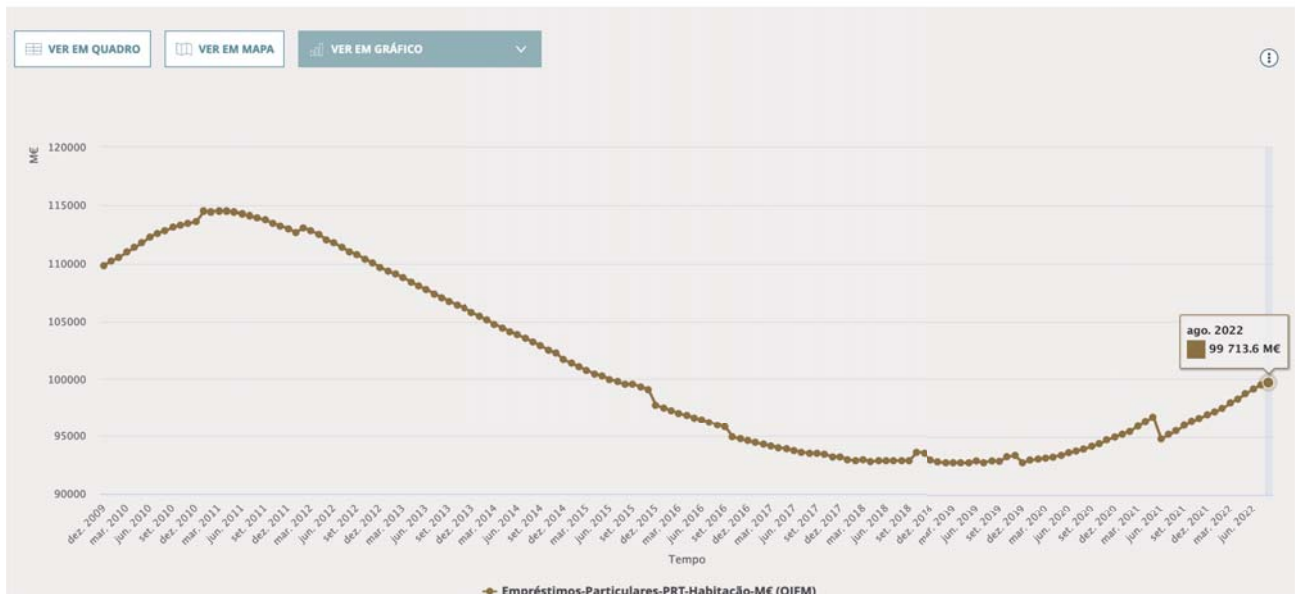


Fonte: Confidencial Imobiliário



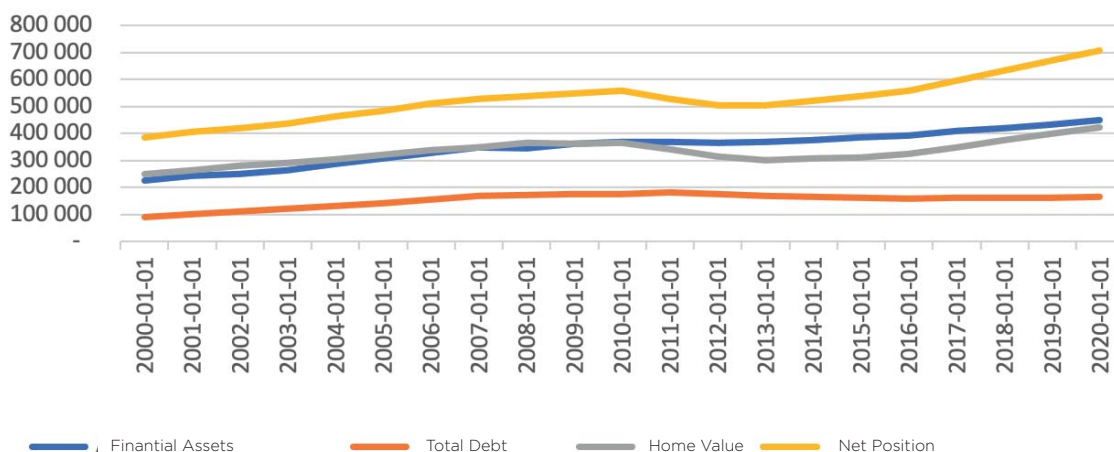
## Housing loans, what future?

Since the financial rebalancing measures imposed by the Troika, the amount of accumulated credit has been reducing from a maximum of 115MM in 2011 to a minimum of 92 MM in 2018/ 2019.



The ECB's policy of ever lower interest rates allowed significant savings for debtor households, and so, despite annual credit growth from 2MM to 10MM Euros between 2012 and 2018, the cumulative values have changed little. Meanwhile, with the increase in value of assets held by households, their net position has improved substantially.

### Private Households Net Holdings

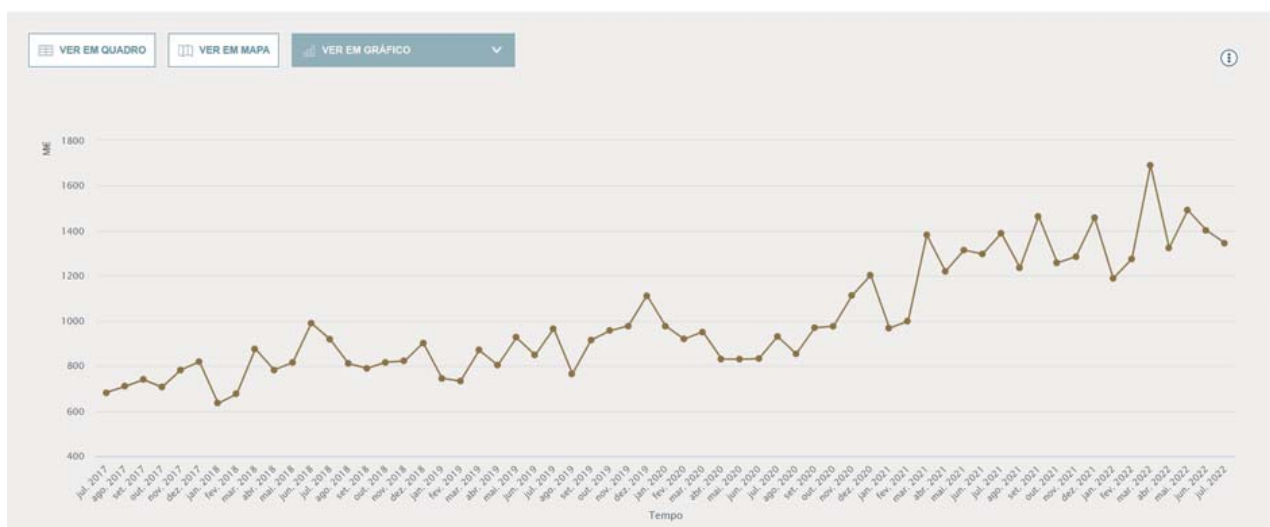




The health of the private individuals balance sheet constitutes a defence in a more turbulent period ahead.

**In 2021, and for the first time since 2007, 15MM in housing loans (and 22MM in total credit) was exceeded, which for the first time led.**

## New Housing Loans

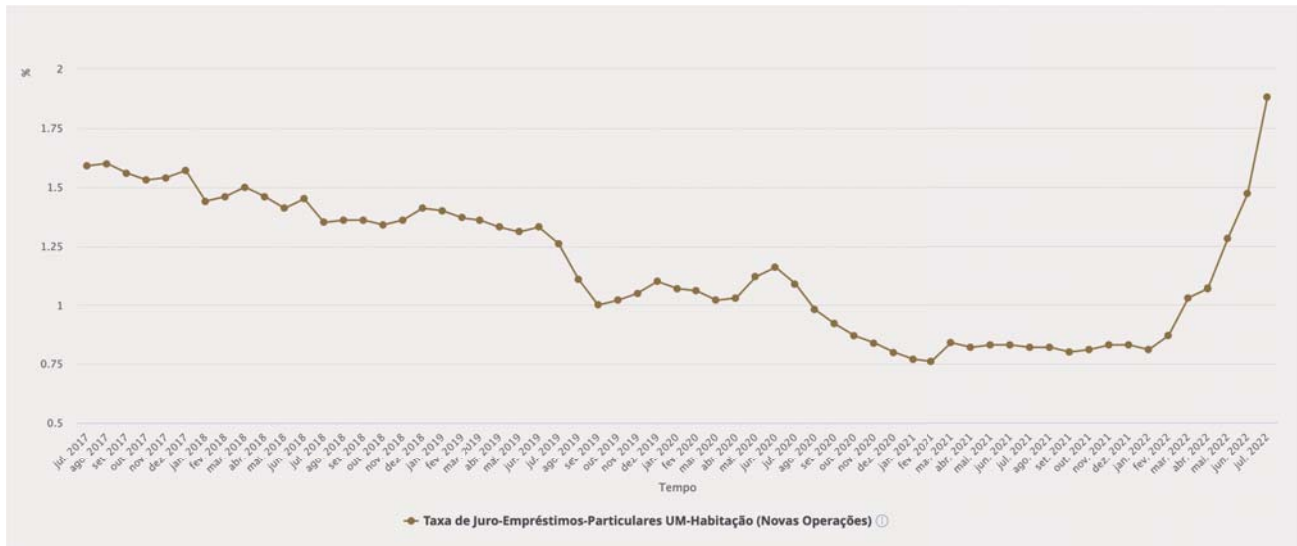


The last months of 2022 already indicate a slowdown. After a maximum of 1.69MM in March, the amounts granted in July dropped below 1.4 MM and in the INE report of 27 September, the number of bank evaluations requested reduced for the third consecutive month, standing at around 26 thousand, which represents a reduction of 10.4% compared to the same period of the previous year, and 20.7% less than in May last, a month when the series high was recorded.

This is already the effect of the rate hike for new loans (a rise from 1% to 3% in the loan rate, for a period of 30 years means a rise from 321 to 421 Euros/month/€100,000 of loan. That is 31% more in the monthly instalment).

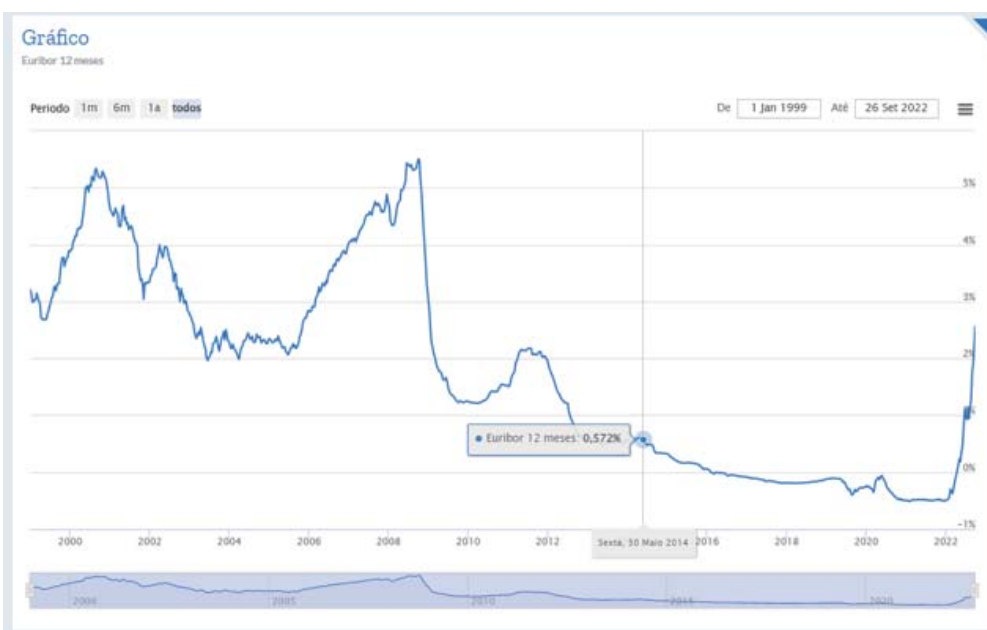


## Interest Rate on New Loans



### 12-month Euribor interest rate

The rise in short-term rates, in a country in which almost all mortgages are indexed to variable rates, has profound effects on the economy. Every 1% increase means an additional 6 MM in annual effort for families.







## Home Leases

# Limiting the reindexation of rents to inflation will remove investor confidence

The Government's draft law replicates (for the worse) what was done for pensions. It limits the nominal increase to 2% (equivalent, at current values, to a loss of 7% in real income) and proposes a reduction to the tax base (only applicable to 2023 income) as a compensation, meaning:

- Only in 2024 will there be a financial effect of compensation
- The 7% lost this year will never be recovered in the next inflation indexations

Furthermore, and given the existing experience of the complexity in filing the IRS Form 3 declaration on the benefits to extended term leases, it is very likely that only professional investors will be able to take advantage of this new tax "benefit" (to be approved...).

Furthermore, incomprehensibly, those who invested (and were, in fact, lured by the State with promises of more favourable taxation) in the Affordable Rent Program will not even be entitled to the tax benefit! And those who rented for a longer period of time will be more penalised, as only the non-renewal will allow them to recover market rents.

Once again market confidence is shaken, hurting those who invest in the market but... a commission is created ...:

*The Ministry of Infrastructure announced a study for the elaboration of proposals on promoting transparency and regulation in the housing market. With a period of 18 months for completion, this initiative will "analyse international practices concerning regulation and the respective results, as well as the current situation of the rental market in Portugal and respective legal regime", they say in a statement.*





## Availability of land in Lumiar halted

The sale of two municipal plots in Quinta dos Alcoutins, plot 26 with a area of 1,063 square metres (m<sup>2</sup>) for the base value of 515 thousand Euros and plot 27 with 1,150 m<sup>2</sup> for 560 thousand Euros, was approved with the abstention of the Socialist Party, with votes in favour from the PSD/CDS-PP leadership (which governs without an absolute majority) and votes against from the other councillors of the opposition, namely PCP, BE, Livre and the independent Citizens for Lisbon (elected by the PS/Livre coalition).

With the votes against from all councillors of the opposition to the PSD/CDS-PP leadership, the sale of the other three plots of land was rejected, with a total base value of 19.84 million Euros, namely two plots in Rua Professor Manuel Viegas, in the urbanisation of Paço do Lumiar, plot B with 1,920 m<sup>2</sup> for 6.2 million Euros and plot C with 3,906 m<sup>2</sup> for 12.2 million, and one in grid 6 in Alta de Lisboa with 906.37 m<sup>2</sup> for 1.44 million.

It should be recalled that Lisbon's municipal budget for 2022 foresees 100 million Euros of revenue from the sale of capital assets.

