



# infosiiimgroup

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Monthly Report | Real Estate Market | November & December 2022

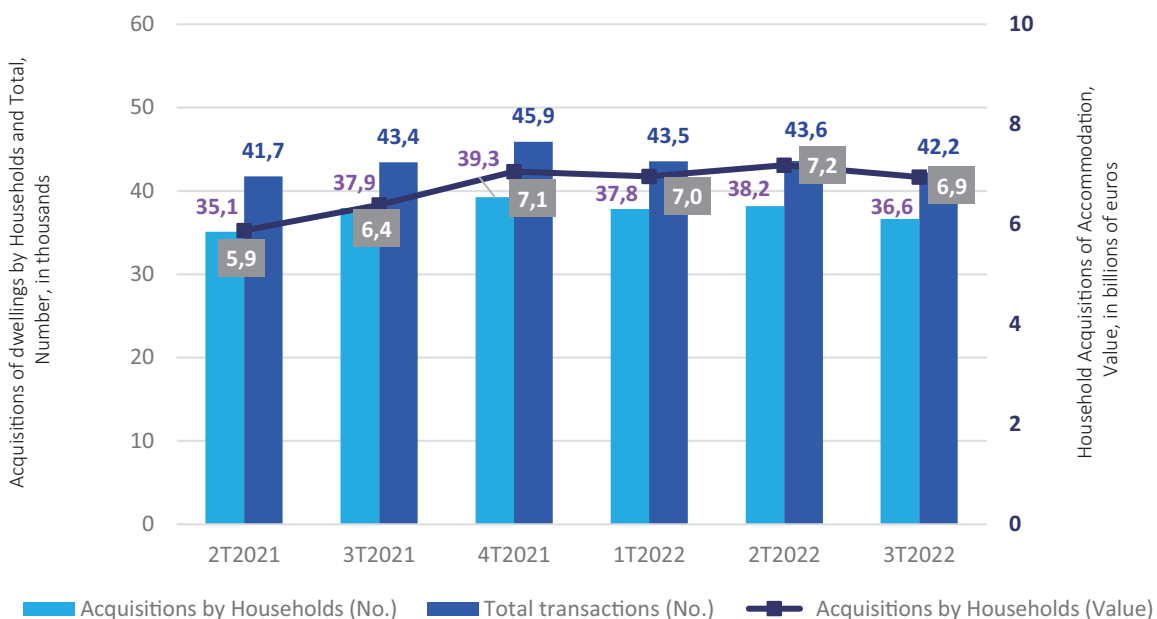


Lisboa | Linha de Cascais | Ribatejo | Master Minas Gerais, Brasil



## Transactions in the 3rd quarter continue at a high pace - Residents with a slight drop of 4%

Indicator of the number and value of housing transactions, by institutional sector of the purchaser, 2Q2021 – 3Q2022



Source: INE, House Price Index.

In the 3rd quarter of 2022, 42 223 houses were traded, which was 2.8% down on the same period of 2021, registering the first year-on-year reduction in the number of transactions since the 1st quarter of 2021. Notwithstanding this drop, it was confirmed that the market had not yet felt the impact of the credit rate hikes.

Of the total transactions, 34 627 corresponded to existing housing, resulting in a reduction of 4.1% on a year-on-year basis. In new housing (where non-residents are more prevalent), transactions increased by 3.3%, with 7 596 units.

There were 39 456 transactions, whose purchasers had their tax residence in national territory, 3.7% fewer year-on-year, while the transactions of purchasers with their tax residence outside of Portugal, totalled 2 767 units (6.6% of the total), corresponding to a rate of change of 12.6%.



## Inflation remains high, Central Banks will continue to raise rates in 2023

The rise in key interest rates by the FED and ECB slowed from the previous 75 b.p. to 50 b.p. in December. However, the discourse was clear regarding the intention to prolong these increases next year, at a pace (for now) of 50 b.p., at least as long as inflation (in the EU) does not fall close to the 2% target. A continued rise in Euribor is therefore to be expected, slowing credit concession.

**While new credit slows, the Bank of Portugal remains optimistic with regard to the increase in default rates on housing loans already in force.** In the last Financial Stability Report (November) and under the title “The impact of the rise in interest rates on servicing household debt”, one may conclude that the higher debt service charges on housing loans, will contribute to an increase in the ratio between instalments and average income (LSTI, Loan service-to-income) of only 4.8 pp, by December 2023, to 21.5%, considered comfortable. From the point of view of the banks’ exposure, the proportion of the stock with LSTI higher than 40% increases by 9 pp to 16.8%.

**Table C1.2 Distribution of LSTI of housing loans  
As a percentage**

	jun. 22	dez. 22	dez. 23
Média	16,6	19,3	21,5
Percentil 10	4,0	4,5	5,0
Percentil 25	7,9	9,1	10,0
Mediana	13,7	15,8	17,6
Percentil 75	21,7	25,1	28,1
Percentil 90	31,8	36,9	41,2

**Table C1.3 Housing loan contracts and stock by class of LSTI**

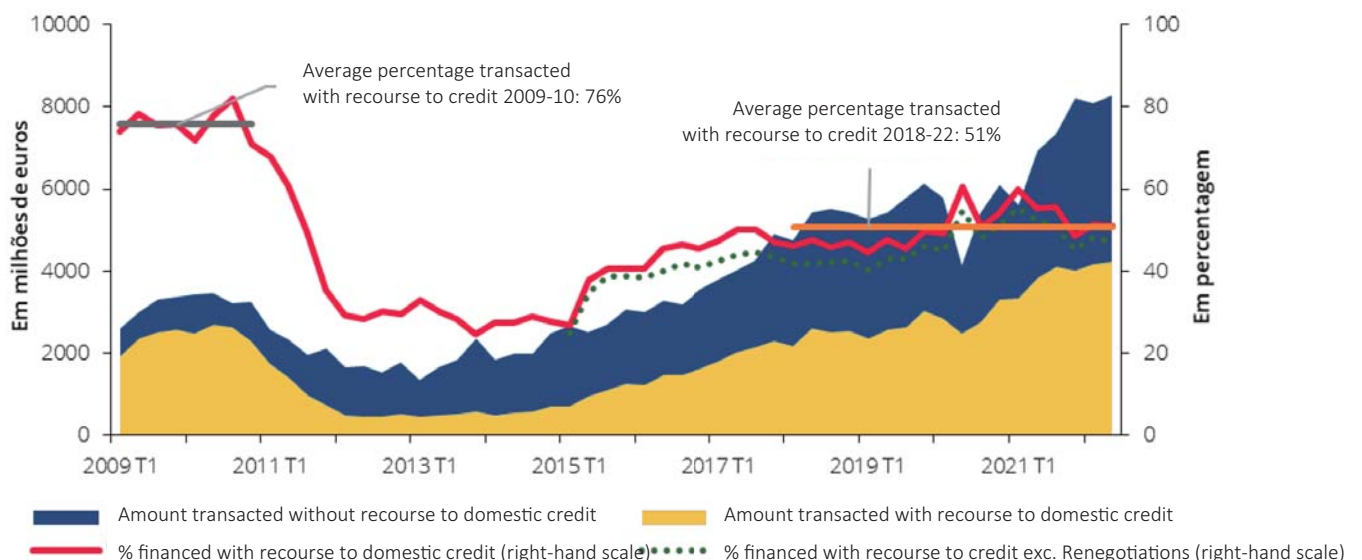
	% contratos		% stock	
	jun. 22	dez. 23	jun. 22	dez. 23
≤20%	70,9	57,1	63,6	44,9
]20%;30%]	17,3	21,0	20,5	24,2
]30%;40%]	6,7	11,0	8,2	14,2
]40%;50%]	2,6	5,3	3,4	7,3
>50%	2,5	5,6	4,3	9,4



On the other hand, in the most recent years (or that is, in loans that will suffer a greater impact in terms of monthly instalments) there is a lower proportion of individuals in the lowest income quintile of those who have outstanding housing loans, in terms of the number of contracts and stock of loans.

**The percentage of transactions financed with credit, around 50% in 2022, continues to be lower than before the sovereign debt crisis.**

**Graph 1.25 – Transactions of households versus new house loan operations**  
In millions of Euros



There is, however, significant geographical heterogeneity. In 2021, the Algarve continued to have the lowest percentage of transactions financed by housing loans (around 20%), followed by the Metropolitan Area of Lisbon and Porto (around 60% and 70% of the value of the transactions, respectively), as in the rest of the country this percentage was around 80%. This pattern reflects the degree of participation of non-residents in the transactions that occurred in each region.

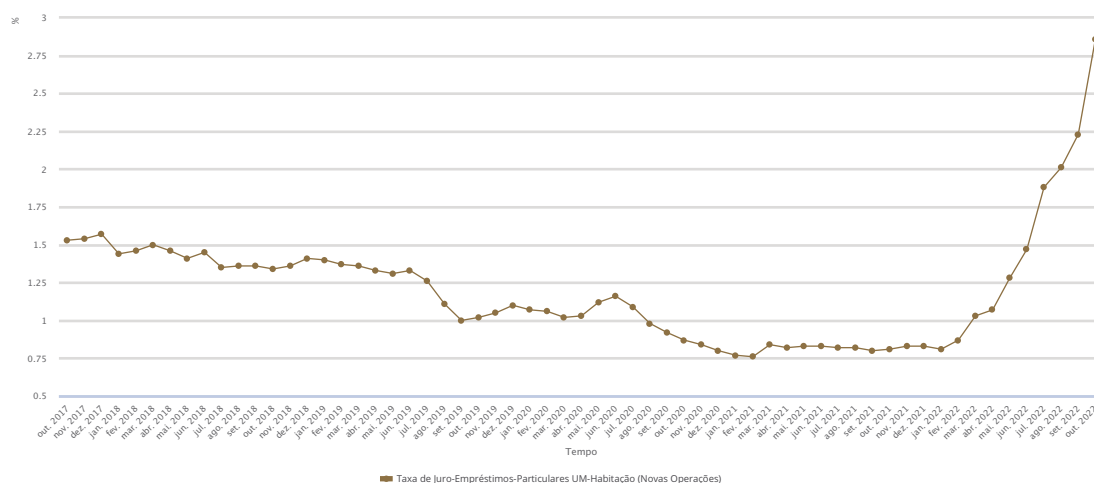
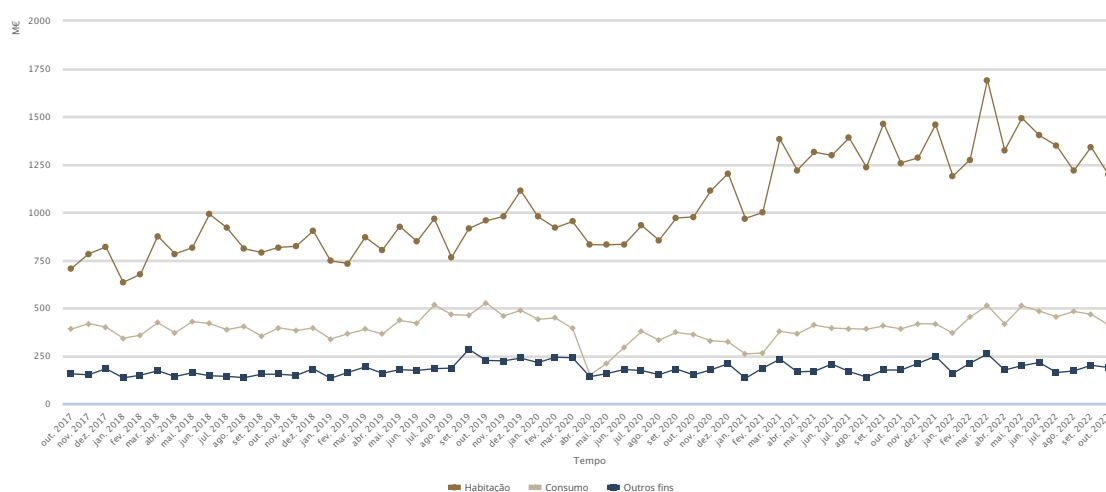
Lending to foreign citizens (resident and non-resident) increased in recent times, but it continues to be of minor importance. Between December 2019 and June 2022, the proportion of foreign citizens in the stock of housing loans increased from 6.4% to 7%, of the value of new housing loan transactions in 2021 and in the first semester of 2022, 10% was granted to foreign citizens



In October, banks granted 1197 million euros of mortgage loans, values in September had been 1341 million euros. Despite the slowdown compared to the recent peak in March, we still have values close to the maximum of recent years. It should be noted that the number of bank evaluations considered decreased for the fifth consecutive month, standing at around 25.6 thousand, which represents a reduction of 8.6% compared to the same period of the previous year and 22.7% less than last May, the month in which the maximum of the series was registered.

The average interest rate on new home loans rose to 2.86% (2.23% in September), the highest value since January 2015. The average rate on variable rate loans was 2.6% while fixed rate loans were contracted at an average rate of 4.1%.

**Amounts of new loans granted to individuals, by purpose | In millions of Euros**





## Legislative interference with an impact on the market

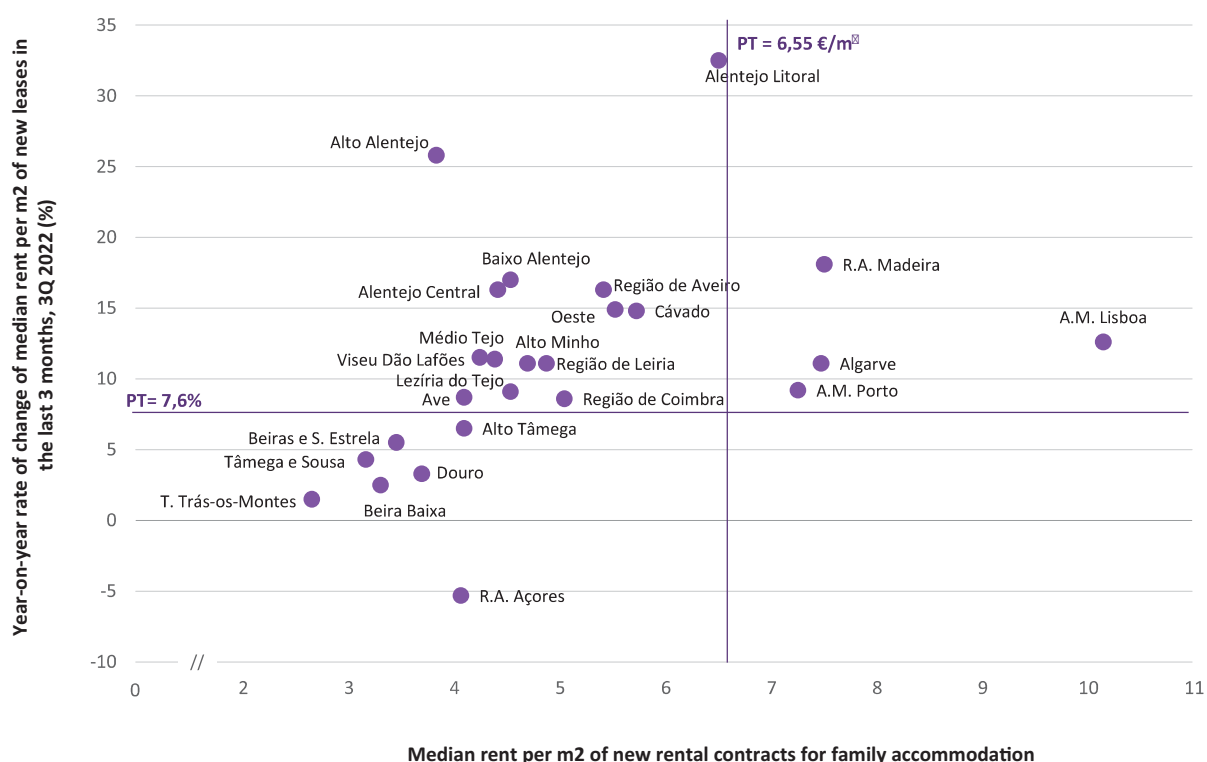
**Number of new contracts reduced by 5.5% compared with the same period a year earlier, with contracts in the LMA falling by more than 10%.**

After the 2% cap on the increase in rents, another restriction was approved. As from January 2023, landlords may not demand more than two months' rent in advance and the deposit also cannot exceed a value equivalent to two rents. Currently, the limit is three months in advance, with the value of the deposit being freely negotiated.

10 of the 25 NUTS III recorded a decrease in the number of new rental contracts compared with the same period a year earlier, with the Lisbon Metropolitan Area (-10.7%) and the Porto Metropolitan Area (-10.6%) being the most significant.

The median value increased in 23 of the 24 municipalities analysed. The most outstanding metropolitan areas, with values over 10.00 €/m<sup>2</sup> and year-on-year growth rates of rents higher than those of the country, were the municipalities of Cascais (13.63 €/m<sup>2</sup> and +20.0%), Lisbon (13.18 €/m<sup>2</sup> and +16.0%), Oeiras (11.79 €/m<sup>2</sup> and +13.7%) and Porto (10.08 €/m<sup>2</sup> and +10.5%).

**Median rent per m2 of new rental contracts for family accommodation and corresponding year-on-year rate of change, by NUTS III and Portugal, in the 3rd Q 2022 Po**



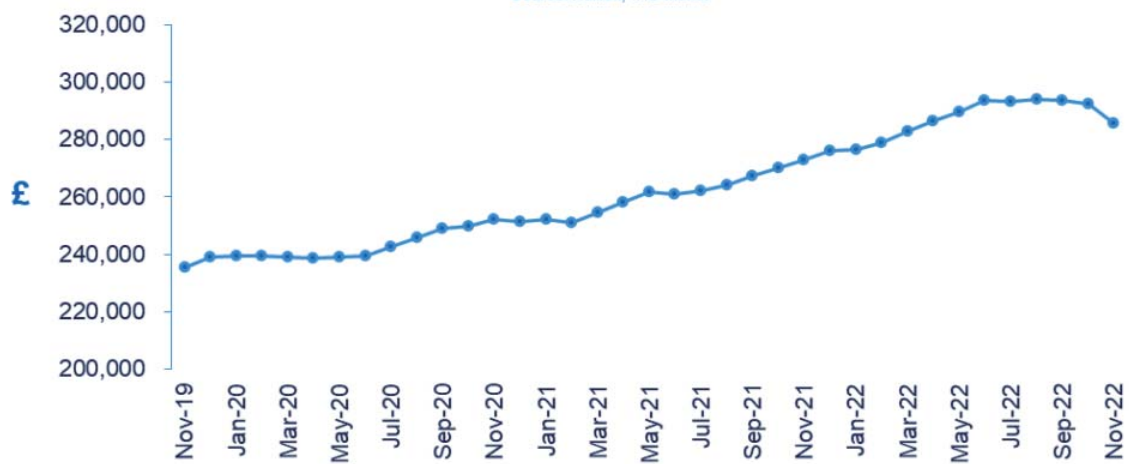


## For the first time in many years, house values fall in two European countries

The United Kingdom and Sweden are the countries where there has already been a fall in recent months with losses in Sweden erasing more than half of the gains made since the pandemic

**Halifax HPI: Average UK house price over the last three years**

Source: Halifax, IHS Markit



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