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# House prices rise in Portugal for first time in five years

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House prices in Portugal increased in January as the country's economy expands and the unemployment rate falls, according to the latest monthly market survey from the Royal Institution of Chartered Surveyors.

It is the first time that prices have increased since the RICS/Ci survey was launched in 2010 and comes at a time when buyers demand is increasing.

RICS says that improving employment is being reflected in rising new buyer demand and for over 12 months now, new buyer enquiries have been in positive territory and national confidence has reached a series high of +32.

It also says that the outlook for sales volumes is strengthening and sales expectations are more elevated than at any other point in the survey's four year history.

The Portuguese economy expanded for the first time since 2010, albeit modestly, with average annual GDP growth of 0.9%. After a three year period in which GDP contracted by nearly 6%, a recovery does now appear to be emerging.

The rate of unemployment has fallen by nearly 2% over the past 12 months and now stands at 13.4% having reached a peak of 17.7% in early 2013.

The report describes the emergence of a recovery in house prices, supported by a consistent rise in confidence but also points out that in the lettings market, rents are still falling for now, although survey respondents' expectations point to a more stable trend on the horizon.

In the sales market, buyer demand continued to increase, with the pace of improvement accelerating slightly over the month. Meanwhile, sales continued to rise, extending an uninterrupted positive run dating back to February 2014. Moreover, respondents' sales expectations are more elevated than at any other point over the past four years.

Looking ahead, prices are expected to continue to rise over the next three months but RICS explains that a

sustained run of positive data will be needed before it is in a position to talk about a genuine recovery.

At the regional level, prices are now rising in both Lisbon and the Algarve, but remain more or less stable in the Porto market.

In the lettings sector, tenant demand continues to rise gradually and the number of new landlord instructions is diminishing. However, rents are still falling for the time being, although respondents do expect a flatter trend to emerge in the coming months.

‘Even though the volume of new credit is still low, it has been reported by several real estate agents that banks are now more positive about the market,’ said Ci spokesman, Ricardo Guimaraes.

‘Some already have commercial campaigns, announcing lower spreads. This might be the element that was missing to broaden out the recovery that was primarily located in Lisbon,’ he added.

According to RICS senior economist, Josh Miller, the Portuguese housing market reached an important milestone in January with prices rising for the first time since the country’s bailout programme.

‘Whether this trend can be sustained depends on the broader economic recovery. We remain optimistic on this front, but considerable risks remain,’ he added.