



European Network for Housing Research



UNIVERSIDADE
AUTÓNOMA
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THE DUAL HOUSING MARKET IN LARGE AGGLOMERATIONS: AN ANALYSIS TO THE PORTUGUESE CONTEXT

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1. Introduction to surroundings on housing in Portugal

- Despite exogenous events (pandemic and conflict in Eastern Europe), access to housing will not be improved.
- The side effects of construction costs and inflation, in addition to the costs of licensing processes, are making it practically impossible for the most socially needy classes to have access to the construction of new homes.
- In June 2022, it was estimated that new housing construction costs have increased by 12.9% year-on-year, 0.6% less than in the previous month (INE 2022).
- The price of materials and the cost of labor showed, respectively, year-on-year variations of 17.2% and 6.9% (INE, 2022).

1. Introduction to surroundings on housing in Portugal

- The purchase values in relation to the disposable income of the households are not bearable (employment precariousness among young people and low wages).
- Tenancy at weighted prices will have to be broader in its structure of public support brackets depending on family income, broader in the target audience and contemplating more immigrants.
- On the market side, second-hand homes have been on sale for a long time and are the preferred option for households.

The main Portuguese housing problem is the lack of supply for sale and for tenancy at affordable and sustainable values over time.



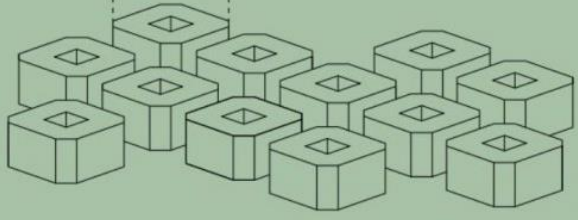
1. Introduction to surroundings on housing in Portugal

- A brief note to mention that we did not considered the population because, between the 2011 and 2021 Census, there is a -2.1% variation, which means a certain stability of individuals for a decade (10,344,802 in 2021 compared to 10,562,178 in 2011) (INE).
 - *It was the first time since 1970 that the country has lost population between censuses.*
- In this decade, the positive migratory balance was not enough to compensate the negative natural balance (difference between births and deaths).
- In 2021, around 50% of the population was concentrated in 31 of the 308 municipalities, located mostly in the Metropolitan Areas of Lisbon and Porto.
- The Portuguese population nowadays is strongly located on the coast, with the district of Algarve, Lisbon and Porto standing out, which together absorb around 55% of the total population.
- This paradox is due to the foreign demand with relative high incomes, made up of the French, English, Brazilians, Germans, Americans, Angolans and Chinese.



2. Still the effects of the 2008 crisis on real estate business and housing

- In the first ten years of the 21st century there were more than 700 thousand new homes placed on the market and in the second decade we had just over 140 thousand.
- Portugal had a reduction of around 80% in the new offer.
- In 2021, there were around €33M in transactions, with 205,000 homes sold.
- There is a huge gap here, a gap that has been going on for a long time and this is reflected in the sales of second-hand homes that continue to grow.
- According to INE (2020), between 2012 and 2019, of the total real estate transacted, 7.3% were acquired by non-residents in Portugal.
- There is a feeling of ownership, even for those who want to rent.



3. Methodology Approach

Data set

- Composed by 27 variables
- Characterizes the behaviour of the rental and buying and sell market and describe other important factors when analyzing the housing affordability

Tools

- Power BI – a data visualization and analysis tool that helps in decision making process
- Python – a programming language that together with certain packages allows to create analysis and visualizations.



3. Methodology Approach

Acronym	Definition	Source
OFFACQ	Offers (acquisition)	Confidencial Imobiliário
ENTEVOL	Rent Evolution	Confidencial Imobiliário
RENTEXP	Rent Expectation	Confidencial Imobiliário
LEASEEXP	Lease Expectation	Confidencial Imobiliário
SERACHTEN	Search (tenants)	Confidencial Imobiliário
CLIENTCONS	Client Consults	Confidencial Imobiliário
NEWACQ	New Acquisitions	Confidencial Imobiliário
EXPSALES	Expected Sales (3 months)	Confidencial Imobiliário
EXPPRICE	Expected Prices (3 months)	Confidencial Imobiliário
PRIEVOL	Price Evolution	Confidencial Imobiliário
NEGSALES	Negotiation Sales	Confidencial Imobiliário
VOLUMEIND	Per Capita Volume Index	INE
EXPENSEIND	Per Capita Expense Index	INE
INTRATE	Interest Rate	PORDATA
SAVRATE	Savings Rate	PORDATA
GLBWELL	Global Wellness	PORDATA
AVGSAL	Average Wage	PORDATA
ACTIND	Activity Index	PORDATA
CURRTRANSPAIID	Current Transfers With the Rest of the World Paid	PORDATA
CURRTRANSRECEIVED	Current Transfers With the Rest of the World Received	PORDATA
CURRTRANSTOTAL	Current Transfers With the Rest of the World Total	PORDATA
PRIMINCPAID	Primary Income With the Rest of the World Paid	PORDATA
PRIMINCRECEIVED	Primary Income With the Rest of the World Received	PORDATA
PRIMINCTOTAL	Primary Income With the Rest of the World Total	PORDATA
NATIONALGDP	Gross National Income GDP	PORDATA
TOTALAVAILABLE	Total Gross Disposable Income	PORDATA
NATIONALTOTAL	Total Gross National Income	PORDATA

Table 1. Variable Definition



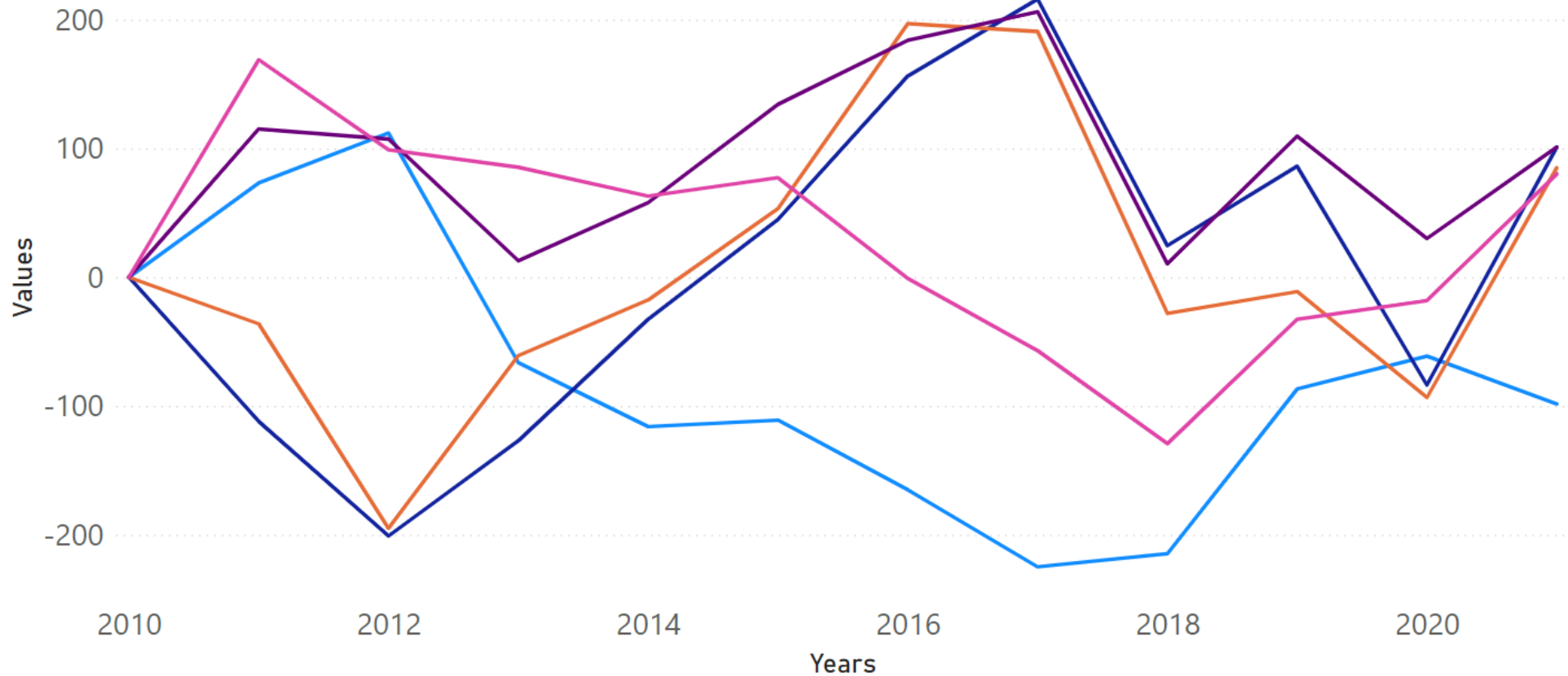
4. The Rental Market

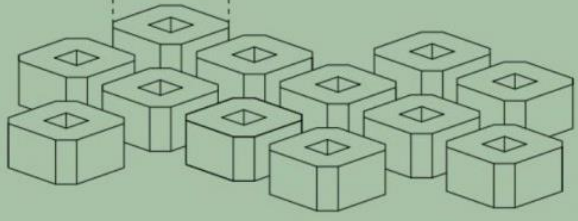
- The data set on the Lease Market is composed of a total of 7 variables (OFFACQ, RENTEVOL, RENTEXP, LEASEEXP, SERACHTEN, YEARS and REGION).
- The RENTEVOL variable shows that between 2010 and 2012 this evolution was negative, which was also verified for the RENTEXP variable, although less accentuated in 2011. These two variables present similar behaviors.
- The LEASEEXP variable reaches its maximum value in 2016 and the RENTEVOL variable in 2017.
- All variables with the exception of the OFFACQ decrease their value in the year 2020.

4. The Rental Market

Graph 1 Rental Market between 2010 and 2020

Variables ● OFFACQ ● RENTEVOL ● RENTEXP ● SERACHTEN ● LEASEEXP





5. The Housing Market

Buy and Sell Market Graph

Variables – EXPRICE, EXPSALES, PRIEVOL and NEGSALES

All the values are relative, that is values obtained in comparison with others

Variables EXPRICE and PRIEVOL have similar behaviour. Lowest value registered in 2011 and 2012 and maximum in 2017

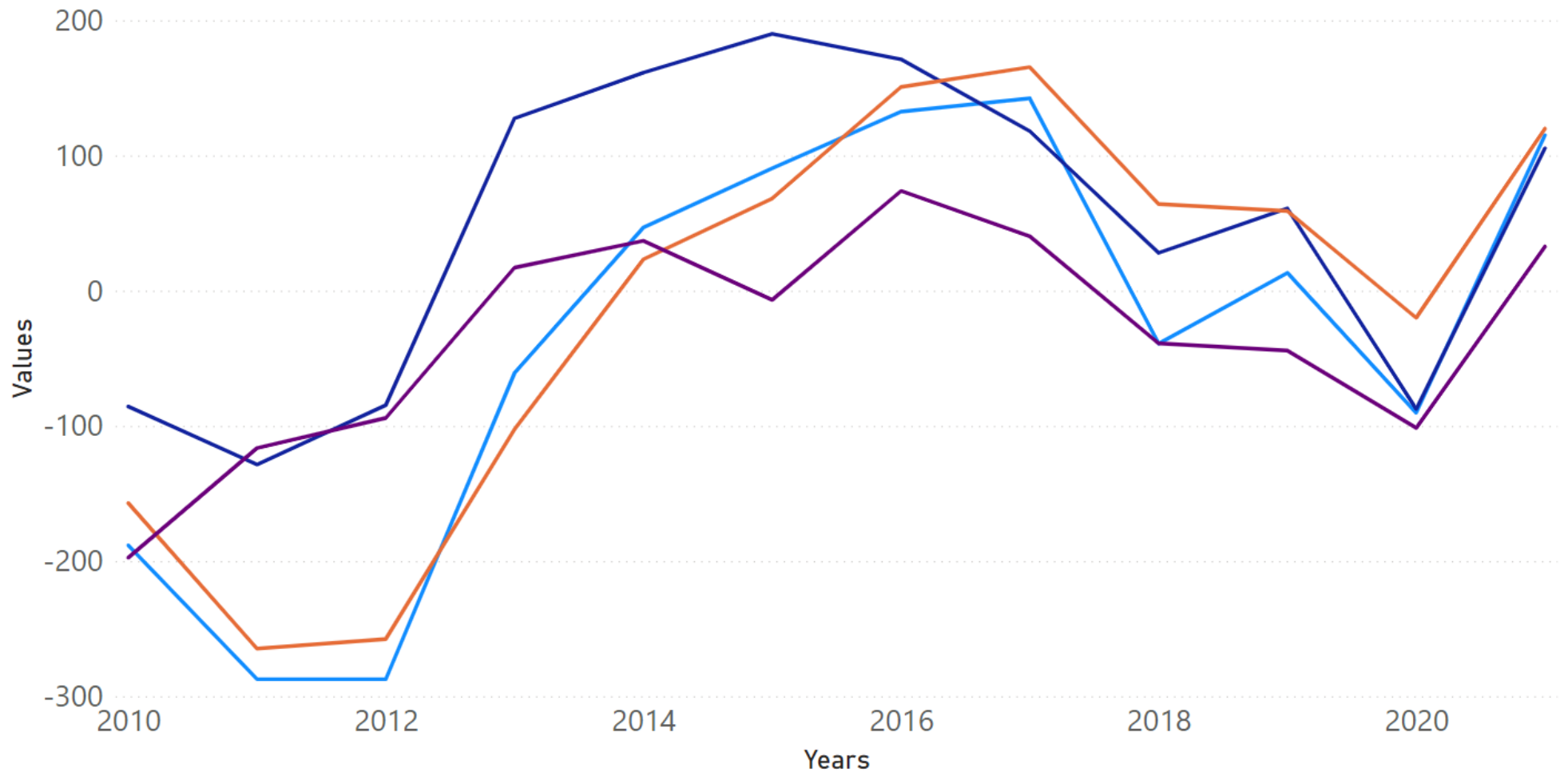
EXPSALES is the one that starts in 2010 with lowest value, reaching the maximum value in 2015 however in 2021 it is slightly lower than the EXPRICE and PRIEVOL variables

NEGSALES shows a significant growth even though it started and ended with the lowest value when compared to the other 3 variables

5. The Housing Market

Graph 2 Expected Price and Sales (3Months), Price Evolution and Negotiation Sales between 2010-2020

Variables ● EXPPRICE ● EXPSALES ● PRIEVOL ● NEGSALES

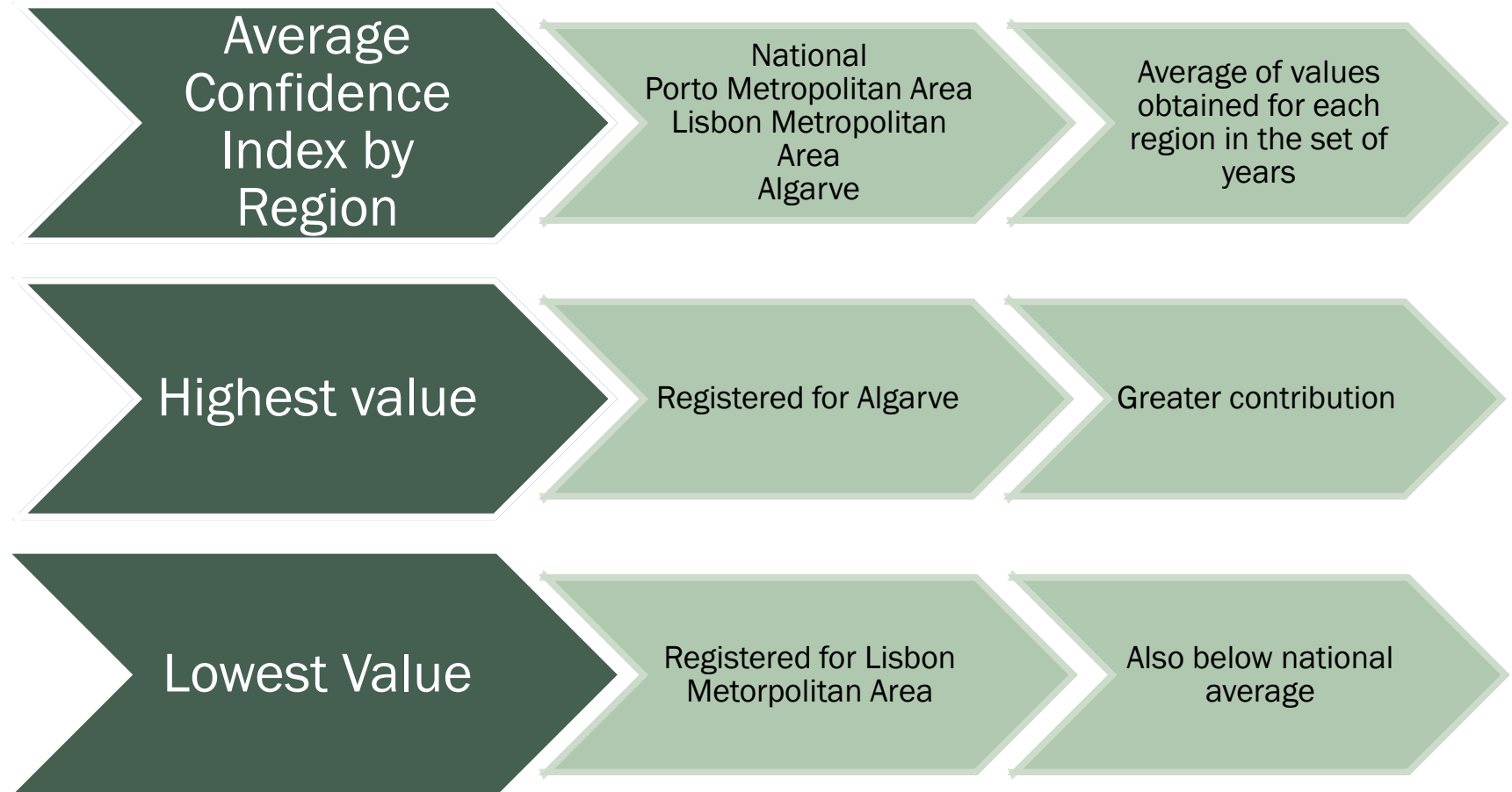




6. Complementary Data Analysis

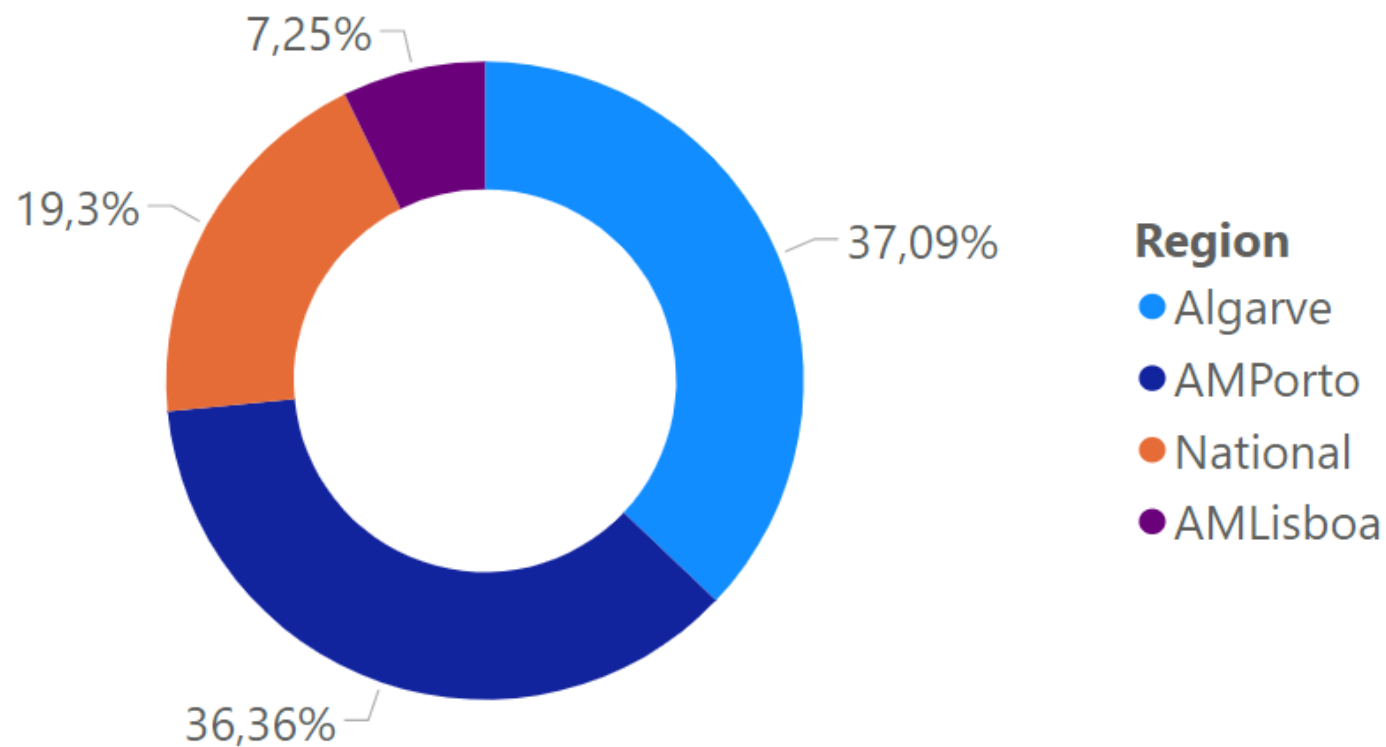
- In addition to the variables that concern the rental market and the purchase and sale market, we also have others that complement the analysis with other perspectives or additional information that help to have a more complete notion.
- The per capita volume index has values for 2009-2021, reaching the maximum values in the years 2009 and 2010, which means that in terms of quantity there was more housing available in these years and less in 2021 when it reaches its lowest value.
- The per capita individual consumption expenditure index was always higher than the volume index. It reaches its highest value in 2010.
- It can also be noted that when the level of expenditure goes down, the volume index also goes down, being visible in the years 2011, 2012 and 2017.

6. Complementary Data Analysis



6. Complementary Data Analysis

Graph 8 Average Confidence Index by Region





7. Conclusions

- No linear stability of housing availability over the period 2009 and 2021, due to various external factors.
- Taking into account the stability of interest rates, the relative maintenance of savings and the increase in the average wage, we can assume that there are two reasons why families have not saved more.
 - *First option, the cost of living has increased.*
 - *Second option, families chose to keep their savings at first, and apply them to own purchases or to rent, with an improved relative level of well-being.*
- As for new purchases, we can see that they have been decreasing since 2009, especially with regard to first buyers, when prices and home sales increased.
- The rental market, despite having shown a positive evolution over the 10 years, was not sufficient to respond to demand, due to the demand for rental housing for the most disadvantaged families.
- Collaboration between public decision-makers and private economic agents will be the key to unlocking long-term failure and maintaining a social competitive advantage, particularly in renting.
- Public authorities must lead the organization and scrutiny of housing policy with those responsible from all sectors to ensure sustainable resilience over time.

THANK YOU

