



# Portugal Market Pulse

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Research Report

# Q1 2018







40,340sq m

occupied within the **office** sector during the first three months of the year, once again driven by large operations.

+5.1%

Homologue variation of the **Retail** Sales Index (MM12M) of March 2018

€847 m

In commercial **investment**, equivalent to 45% of the total value transacted in 2017.

+10%

Increase in the price index of **housing** in Portugal during the last quarter of 2017, compared to the same period of the previous year.

Highlights



# Economy

2017 was one of the best years ever for the Portuguese economy, with a 2.7% growth registered. Portugal thus kicked off 2018 with renewed confidence and several extremely dynamic sectors.

Taking advantage of this momentum, the IGCP (the official government debt authority) issued 6 and 12 month treasury notes in the market with negative interest rates of 0.425% and 0.398%, and bonds with a 10 and 27 year maturity reflecting yields of 1.778% and 2.8% respectively, registering a record low across all maturities, a tendency expected to hold during the whole of 2018. In this favourable context, the economy

continues mainly sustained by external demand, motivated by the 7.8% increase in exports and internal demand, and further enhanced by the record €7,000M granted in consumer credit, representing a 17% increase from the year before.

The € 3,900M state injection in Caixa Geral de Depósitos led to a budget deficit increase from 0.9% to 3%, thus above the government set target of 1.5%.

The unemployment rate on the other hand decreased to 8.9% reflecting a growing corporate tissue. For 2018, GDP growth is expected to reach 2.3% and the unemployment rate

should remain in line with the registered tendency, decreasing to 7.8%.

Similarly, public debt is expected to decrease to 123.5% of GDP and the deficit should continue to reflect a downward trend, however export growth is due to slow down slightly.



Private Consumption

**+2.1%**



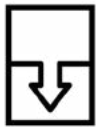
Unemployment Rate

**8.9%**



GDP

**+2.7%**



Inflation Rate

**1.6%**



Exports

**+7.8%**

Source: Bank Of Portugal : 2017 Annual Data

# Offices

2018 is expected to be a year of growth sustained by continued demand and a greater balance in terms of supply.



**Mariana Rosa**  
Head of Office Agency &  
Corporate Solutions

**The office occupation rate in the first quarter of 2018 maintained itself above the quarter average registered in the last three years (circa 38,000 sq m).**

During the first three months of the year, 40,340 sq m of office spaces were occupied, with operations of a significant dimension playing a main role. The average area per transaction was around 800 sq m, with 14 registered operations above 1,000 sq m.

The net take up, represented by transactions of area expansion and by the entry of new companies in Lisbon, maintained the dominant position (55%), reflecting the consistent expansion trend of the corporate tissue.

The TMT & Utility sector, composed mainly by technological companies, played an important role in the market dynamics throughout the first quarter, reflecting several operations of a significant dimension.

The New Office Zone was the most active zone throughout the quarter. Given the lack of supply of spaces of a big dimension in the city, this zone has benefited both from area expansion transactions of companies already based there and also office relocation transactions. Followed by the CBD and Prime CBD, where two of the biggest operations of the quarter took place.

Towards the end of the first quarter the availability rate decreased 27 basis points, settling at 8.3%. With exception of the Historic & Riverside Zone, where no transactions were registered, all the office zones reflected a decrease of available space, with the Western Corridor and the New Office Zone registering the most significant decreases. The 'Parque das Nações' zone reached an availability rate of 2.5% which represents a total area below 9,000 sq m scattered between several buildings.

Following a year branded by a steep demand and a challenging supply side, the reduced availability of office spaces with conditions matching the demands of the majority of companies, such as large areas per floor, modern and quality facilities and a good transportation network, the beginning of 2018 was marked by the conclusion of three buildings with a total of 16,230 sq m: Camilo Castelo Branco 36-44 and

Marquês de Pombal 14, both located in the Prime CBD, and the Lacs, situated in the Historic & Riverside Zone, entirely allocated to co-working (shared work spaces). These buildings were quickly taken up and the Lacs building was no exception, enhancing the concept of co-working as one of the main market tendencies.

Despite a scarce 66,000 sq m of office space being currently under construction, a significant volume of buildings in the pipeline is currently expected until 2021, with more than 360,000 sq m being projected, of which more than 70% have no pre-let agreements.

About half of the predicted area is concentrated in the surroundings of 'Parque da Nações' area, with a predictable widening of this area in the near future.

During the quarter under analysis there were verified increases in prime rents in the CBD, Historic & Riverside Zone and Western Corridor, to monthly values of 16.5€/sq m, 15.5€/sq m and 14€/sq m, respectively. The witnessed increase in rents reflects an increase in demand, be it from already established companies taking advantage of the good moment that the country is currently going through to improve and expand their facilities, be it from the strong demand of new companies that want to enter the country, mainly in the shared services sectors and back offices of big multinationals.

## Main transactions | Q1 2018

Occupier: **Regus**  
Building: Marquês de Pombal 14  
Zone: Prime CBD **5,230 sq m**

Occupier: **Beta-i**  
Building: Avenida Duque de Loulé 12  
Zone: Prime CBD **2,167 sq m**

Occupier: **Exictos**  
Building: Torres da Luz  
Zone: New Office Zone **2,147 sq m**

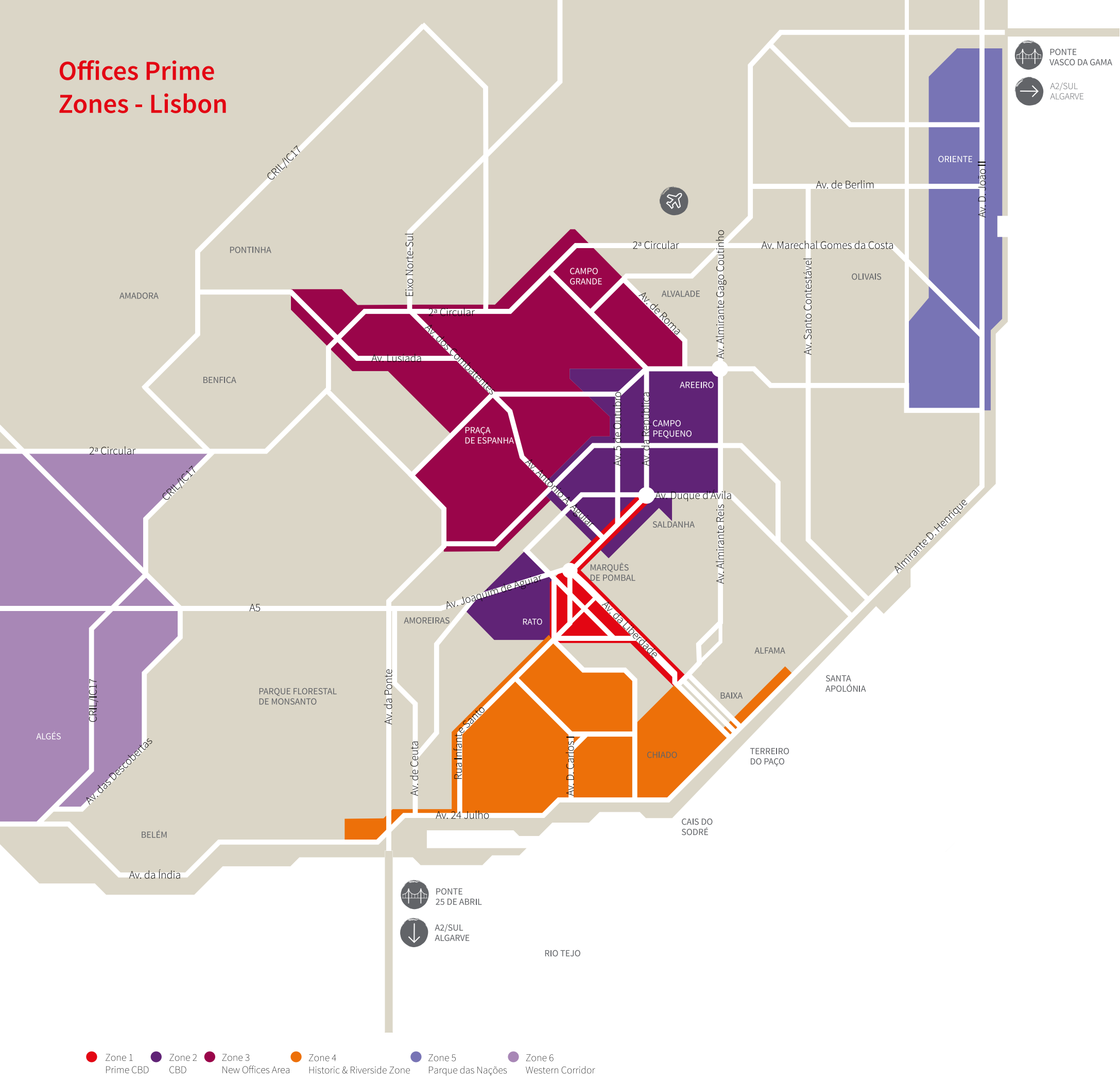
Occupier: **Fujitsu**  
Building: Torre Oriente - Colombo  
Zone: New Office Zone **2,085 sq m**

Occupier: **Microsoft Informática**  
Building: Espaço Amoreiras  
Zone: CBD **2,050 sq m**

Source: LPI / JLL



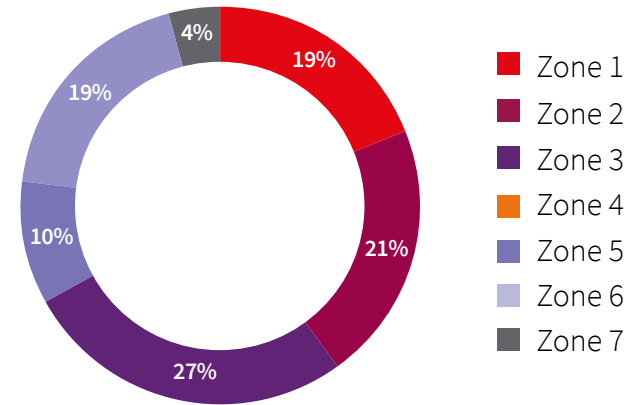
Offices Prime Zones - Lisbon



Take-up

Q1 2018

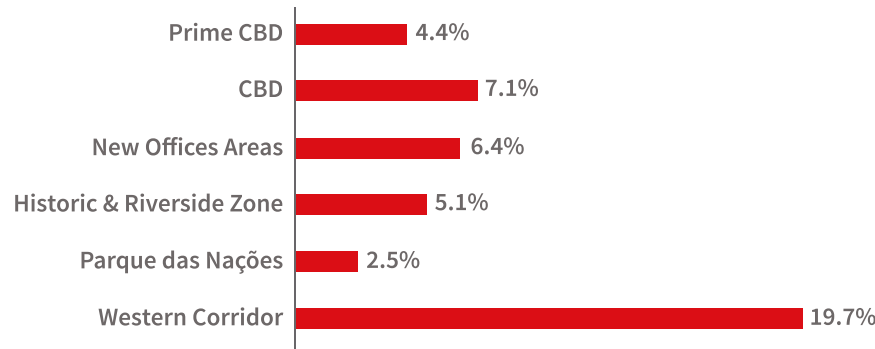
*Total*  
40,340 sq m



Source: JLL / LPI

Availability Rate

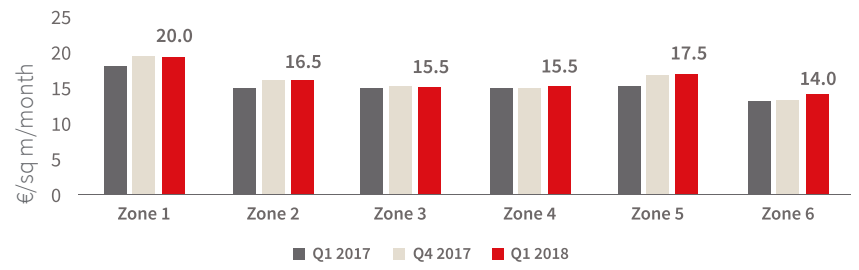
Q1 2018



Source: JLL / LPI

Prime Rents

Q1 2018



Source: JLL





# Retail

2018 upheld the bullish tendency witnessed in 2017, with all the main indicators registering sustained increases.



*Patricia Araújo*  
Head of Retail

**With an ever-growing focus on the new consumption patterns, the Shopping Centres respond with continuous renovations and expansions, with more and more attention given to the experience, proximity and time.**

The frequent refurbishing in Portuguese Shopping Centres focus mainly on the layout reorganization and design update, with a special focus on the restaurant spaces, thus offering a more modern and pleasant experience between stores and restaurants. As a result of this dynamic, the prime rent for these asset types has increased to 125€/sq m/month.

The growth of e-commerce has been the main player in the changes verified in the retail market. The simplicity and ease of online retail has gradually created a more demanding and informed consumer, who seeks a differentiated experience in the physical space. Aware of this trend, brands are responding with an increasingly personalized service coupled with a better post-sale client service, both of which reinforce the confidence in online retail.

In street retail, the brand notoriety and client proximity reinforce the success of online sales. A strong interest has thus been noted for street presence with intense demand for various areas of Lisbon. In Baixa, more specifically Rua Augusta, and in Príncipe Real there have been significant rent increases this quarter. In Chiado, demand remains high but available spaces are scarce, which means brands wanting to base themselves in this area are willing to pay high amounts of key money. Cais do Sodré has maintained the rent level, with the continued predominance of restaurant and nightlife concepts. Avenida da Liberdade and Rua Castilho have, on the other hand, demonstrated greater demand stability.

The traditional areas of convenience retail in Alvalade and Campo de Ourique are at the moment undergoing significant development with an increasing popularity amongst emerging brands and new restaurant concepts. Both in Shopping Centres and on the street, food retail has undergone a very positive transformation with a lot of diversity and new concepts, from trendier options,

gourmet concepts, restaurants aimed at healthy food and even street markets that offer a varied choice in the same place. This tendency accounts for the fact that the last verified rent transactions have happened mainly in the food retail area.

In Oporto, the dynamic remains active with a growing tendency and buildings in need of refurbishments are still frequent; such opportunities may increase the retail space offer on the ground floors. The Flores/Mouzinho axis has witnessed quite a few of the quarter's transactions and is demonstrating a greater dynamic than the Clérigos and Aliados zones. The increased demand in this zone has quickly led to a verified rent increase to 35€/sq m/month.

Source: JLL



**Shopping Centres  
Stock**

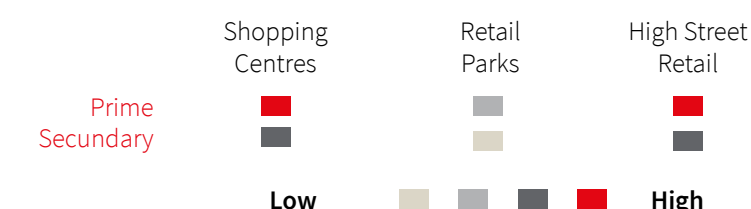
**3,798,000 sq m**



**Pipeline  
2018-2019**

**50,000 sq m**

## Demand Behaviour







## Main Openings

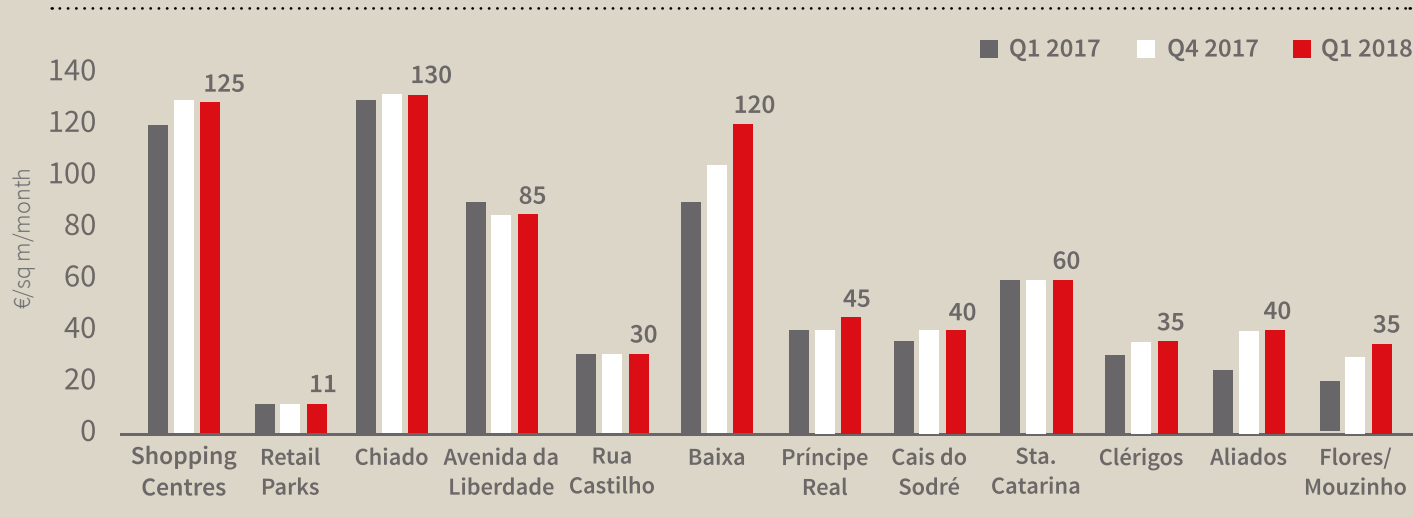
**Lisbon**

Mez Cais and Crafty Corner	Cais do Sodré
Juicy, Cantina do Avilez, Loja Verde and Eight The Health Lunge	Baixa
Papua Market, Jamie's Italian and Beirute	Príncipe Real

**Oporto**

Ray Ban	Clérigos
Hagen-Dazs	Flores
Perfumes & CIA	Santa Catarina

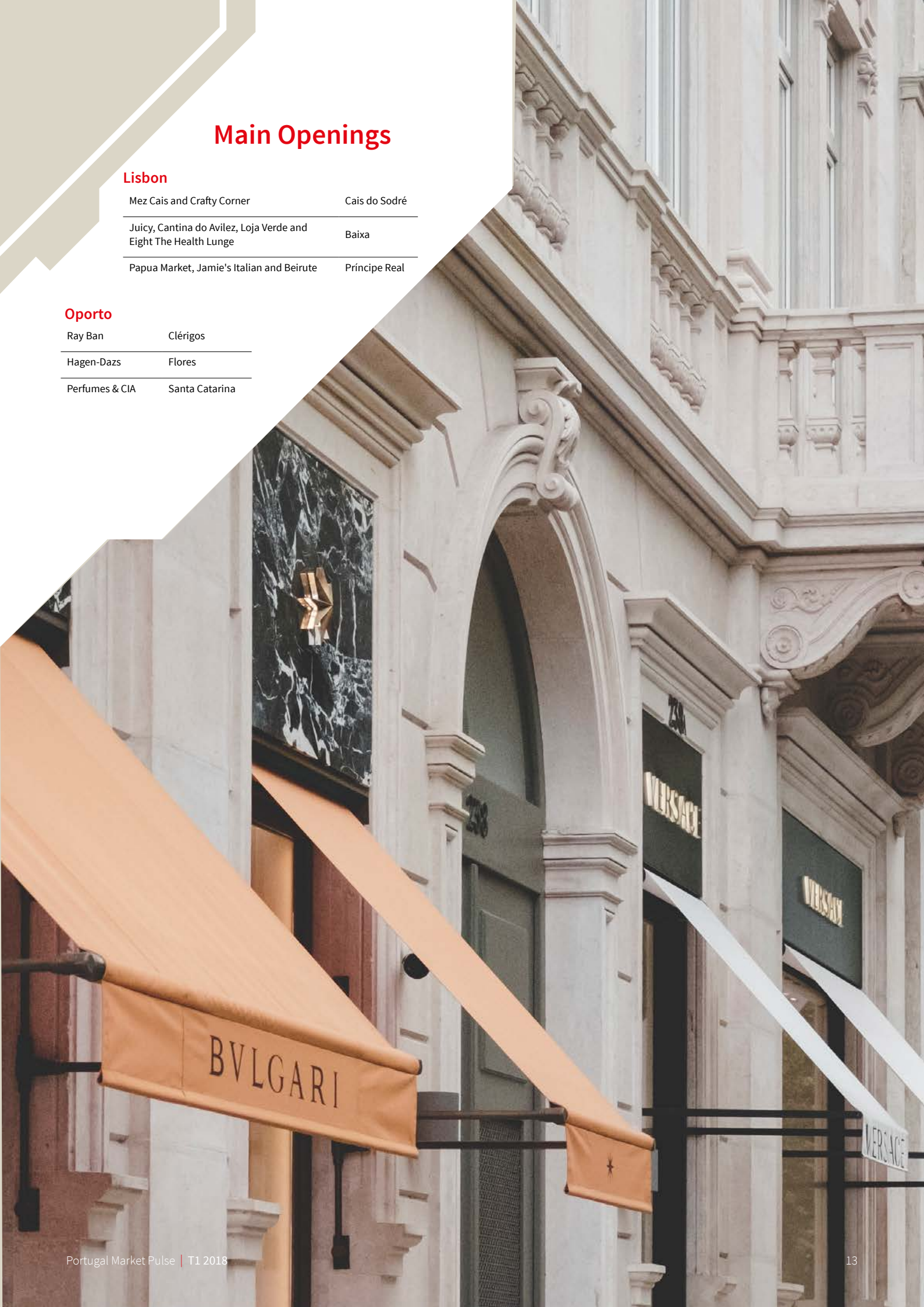
## Prime Rents



Source: JLL

High Street Retail - Lisbon

High Street Retail - Porto





847 million euros of investment in commercial real estate, dominated by international investors.



Fernando Ferreira  
Head of Capital Markets

Unmatched quarter!

During the first quarter of the year €847M were invested in real estate income assets, the highest volume on record. Contributing to this was the closing of a few transactions which should have occurred in 2017, but whose processes ended up delayed. The predicted pipeline is extensive until year end, so 2018 will certainly be a record year with the total volume of investment exceeding €2,500M.

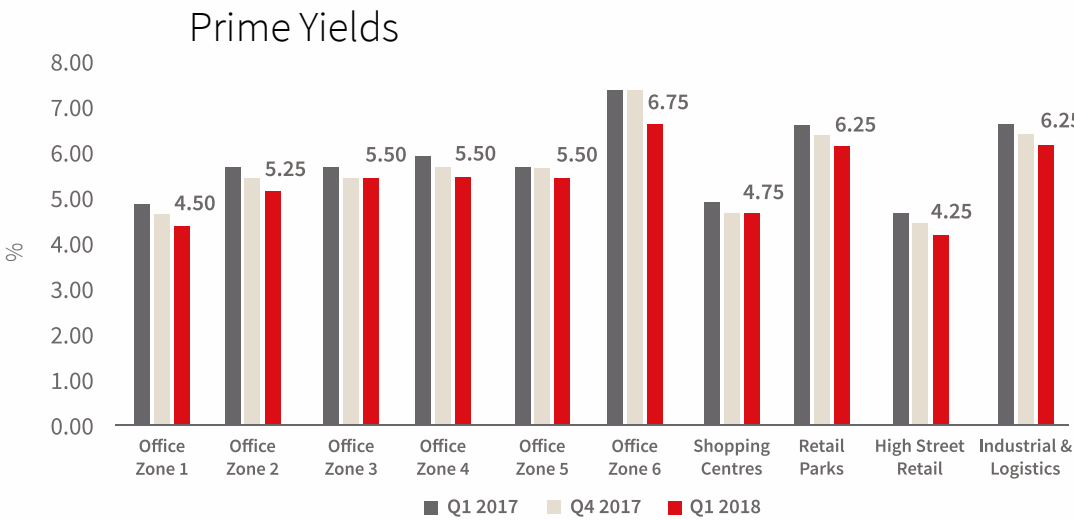
Foreign investment was dominant, representing almost 100% of the amount invested in the quarter. Domestic investors have also carried out various transactions, with an average ticket of three million euros, however, thus far below the average volume of €94M traded by international investors.

Retail continues to dominate investment volume, having represented 94% of the total investment, in which the sale of part of the Rio Tejo portfolio (400M€) stands out, consisting of Sintra Retail Park, Forum Sintra and Forum Montijo, the sale of the Dolce Vita Tejo (230 M€) and a portfolio of

the brand ‘Continente’ (80M-90M€). The office segment was responsible for only a 3% share, the main transaction being a building situated in Rua Barata Salgueiro, in Lisboa (21.5M€), followed by the industrial/logistics sector, whose share of 2% was boosted by the purchase of a logistics platform in Alverca (18 M€).

Prime yields evolved in line with the trend observed since 2013, reducing between 25 and 75 basis points during the year.

The yields thus registered new historic lows, revealing strong investor appetite.



Source: JLL

Main Transactions  
Q1 2018



Buyer: Immochan  
Value: ± € 400 M  
Area: 120,000 sq m  
Sector: Retail



Buyer: AXA  
Value: € 230 M  
Area: 122.000 sq m  
Sector: Retail



Buyer: Socimi Espanha  
Value: € 80 - 90 M  
Area: n.d.  
Sector: Retail



# Residential

National buyers are ever the more active and revealing a strong growth, be it in the purchase of a home to live in, or in the context of financial investment.



*Patrícia Barão*  
Head of Residential

## The beginning of the year of 2018 was highlighted by a significant kick-off in the residential market.

According to INE (Statistics Portugal), 2017 sales reflected record values with an increase of 21% in Portugal and in the Metropolitan Area of Lisbon and a 22% growth in the Metropolitan Area of Oporto.

In JLL, sales of residential properties increased by 55% in this first quarter, compared to the same period last year, which offers the prospect of another excellent year in this sector.

The international buyers accounted for 55% in total JLL sales this first quarter, with an emphasis on the increase in investment tickets from Brazilian buyers, who continue to top

the charts of executed transactions. The motivation of foreign investors is increasingly diversified. Apart from the Golden Visa program and tax benefits for non-habitual residents, the demand for Portugal as a destination to live, study and work is growing significantly.

National buyers are ever the more active and revealing a strong growth, be it in the purchase of a home to live in, or in the context of financial investment. Despite the greater ease of access to mortgage financing playing an important role in the dynamics of the domestic market, there has been a verified increase in the purchase of housing with much higher equity capital ratios than those recorded in the past.

Although the short term rental segment has been the main driver of investment in the residential segment, the demand for investment in long-term rentals has

increased, due to a lack of available supply in this market.

As expected, the beginning of this year saw the emergence of new projects to meet the needs of demand that remains intense. The increase in supply has led to a slowdown of growth in prices, especially in the most central areas of Lisbon, where values have shown significant growth since the beginning of the cycle.

The most sought-after areas continue to be Chiado, the Historic and Riverside Zone, Avenida da Liberdade and Príncipe Real, given the greater guarantee of return in these prime locations. A significant increase in demand for investment has however also been witnessed in the western zone, Colina de Santana, Avenidas Novas and Avenida Almirante Reis.

The residential market is expected to keep its momentum in 2018 with the increasingly phenomenon of offer accompanying demand.

With supply levels growing, developers are increasingly seeking to distinguish themselves from their competition, offering projects with differentiating factors such as better amenities, quality of construction and energy performance.



22 Nationalities



55% International

## TOP 3 International Buyers

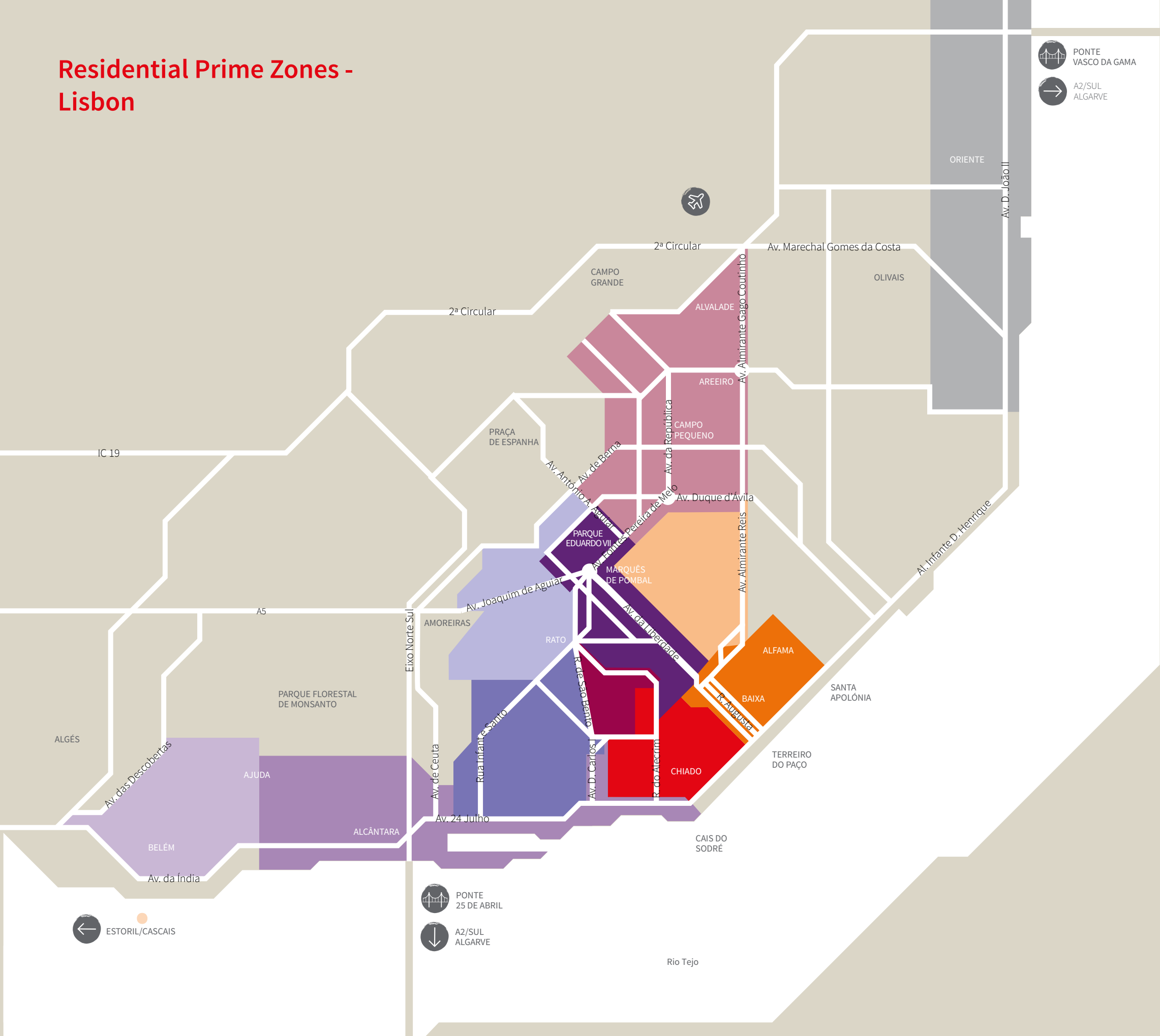
- 1<sup>st</sup> - Brazil (56%) 🇧🇷
- 2<sup>nd</sup> - UK and France (9%) 🇬🇧 🇫🇷
- 3<sup>rd</sup> - Saudi Arabia and USA (6%) 🇸🇦 🇺🇸

Source: JLL





Residential Prime Zones -  
Lisbon



Main Transactions

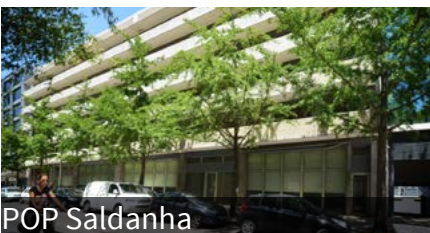
Q1 2018



**Zone:** Cascais  
**Developer:** Cascais - Reabilita  
**28 Apartments**  
**57% Sold in 3 months**



**Zone:** Amoreiras  
**Developer:** Avenue  
**31 Apartments**  
**71% Sold in 2 months**



**Zone:** Avenidas Novas  
**Developer:** Civilria  
**64 Apartments**  
**98% Sold in 6 months**

Source: JLL

Prime Value (€/sq m)

Chiado	€ 6.500-9.500
Avenida da Liberdade	€ 6.000-9.000
Príncipe Real	€ 5.500-8.000
Historic Zone	€ 5.000-7.000
Lapa / Estrela	€ 4.000-6.500
Riverside Zone	€ 4.500-6.000
Campo de Ourique / Amoreiras	€ 4.000-6.000
Avenidas Novas	€ 5.000-6.500
Colina de Santana	€ 4.000-5.500
Restelo / Belém	€ 4.500-6.000
Parque das Nações	€ 3.500-5.500
Estoril / Cascais	€ 5.000-12.000





## 2018, the success atmosphere continues!



*Karina Simões*  
Head of Hotels & Hospitality

As far as the city of Lisbon is concerned, the most recent data confirm the reinforcement of its position on the international scene as a reference destination for tourism. In 2017, 10.7 million overnight stays were registered, a 10% annual increase compared to last year.

Alongside positive growth is the average occupancy rate, which reached 80.5%, a 5.6% increase relative to the previous year, and the average price per room (ADR) reached 102.97€, representing a 13.64% increase from 2016. As a result of the two indicators, the **revenue per available room (RevPar) grew more than 20%, to 82.91€**. This contributed to the 17% increase in the volume of revenue generated by the industry.

The large increase in the number of arrivals at the Lisbon Airport confirms the growth trend recorded in recent years which has caused a significant pressure on the already overcrowded airport, with the city of Lisbon having received 13.4 million passengers in 2017. The Cruise Terminal, however, registered a residual

decrease to 520 thousand passengers in 2017. Given the new Terminal at Santa Apolónia, whose annual capacity is 1.8 million passengers, we believe this trend will be reversed.

In Oporto, the tourism market is thriving and has frankly evolved, reflected in the 22% growth of the RevPar to 66.04€ and the average price per room to 89.15€, registering a 16% increase from 2016. Similarly, the average occupancy rate increased from 5% to 74%. The number of arrivals recorded both in Sá Carneiro Airport and the Leixões Cruise Terminal grew significantly to 5.4M and 96 thousand passengers, representing a 15.1% and 33.1% increase respectively.

The Algarve continues to be the national tourist zone to concentrate the largest share of overnight stays; however registering a slight decrease in the beginning imputed by the come back of destinations such as Turkey, Egypt or Tunisia and the strong response of the main Touristic Operators of these destinations. Egypt, for example, has reached a record of occupancy since 2010.

2017 registered the best performance ever with a continuing trend of growth for the current year.

More tourists and a greater diversity of nationalities are expected alongside the new air routes creation strategy. The strengthening and qualification of the offer are also obvious, on the other hand, the objective being to build housing units targeting various market segments, with a need for trendy 3-star hotels to cater to the growing demand from the millennials, as is the case of the future Meininger Hotel expected to open next year in the area of Santos, in Lisbon, with 121 rooms.

In the Investment market, there were no transactions registered in the hotel sector for the beginning of the year, however, the pipeline for this year is high. 19 new hotels are expected in Lisbon until 2020, with a total of 1,900 rooms.

## Main Openings Q1 2018



**Eurostars Museum**  
**Zone:** Santa Apolónia, Lisboa  
**Stars:** 5  
**Rooms:** 91



**Pestana Porto**  
**Zone:** Porto Downtown  
**Stars:** 5  
**Rooms:** 89

**Source:** Lisbon Indicators of the Tourism Observatory and Oporto STR Indicators; JLL







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