

360°

Porto

Portugal
Real Estate

Market



November 2019
Annual Publication

“

It is well known that a city is more than its territory, its streets, avenues and buildings. Porto has always been a place of cross ways, one of meetings and exchanges, nested up high but open to the world and welcoming to differences. Porto is as strongly rooted in its neighbourhood's culture as it is cosmopolitan, as well as simultaneously conservative and avant-garde.

Porto has today a strategy, a positioning and a value proposition, that have been contributing hugely to the promotion of a stimulating business environment, one which is competitive and a driver for new investments in high value-added sectors, knowledge-intensive and innovation activities in various economic areas.

Over the past few years, Porto Municipality, through InvestPorto, supported around 303 projects, 292 of which represent new investment intentions, with international investments representing 60% of projects supported, which reflects the growing recognition of the city for its entrepreneurial ecosystem, technological context and, above all, the talent of its resources.

As stated by Swedish economist Charlotta Mellander, professor of Economics at the Jonkoping International Business School, and also one of the creators of the "Global Cities" index, whose distinctive metric designates cities using the "Triple T" (Talent, Tolerance and Technology), the cities which will mark the future have

high educational quality levels, a high concentration of knowledge industries, high creativity levels and are also open and tolerant cities. All this makes them genuinely attractive to a global workforce.

This is the path we have been treading in recent years, taking investment attraction as one of the backbones of the city's economy and a structural plan for its development. In short, a city that is proud of its long history, and that is not afraid to look into the "eyes" of the future.

”



Ricardo Valente

City Councillor for Economics, Tourism and Commerce and for Management of Community Funds

A “new” Porto!

Porto went from a promise to reality! A city with a proven track record as destination for people, companies and capital investment, with acclaims from both domestic and foreign outlooks. The real estate market grows at the maximum rate possible in order to cater to the growing demand for workspaces, tourism, housing, shopping and leisure, with the certainty that the potential for a supply expansion remains huge. Not only due to the growth of core demand, but also the city's ability to open up new areas and new uses. Today, more than ever, we are certain that the revival

phenomenon that began in the Historic Centre and downtown is widening to the entire city, with many central areas yet to be explored and with so much to offer in the creation of business hubs, new residential centres, new tourist and shopping circuits. And with the huge advantage that I highlight this year, once again: the competitiveness of investment tickets! It is true that the city has reflected a fantastic appreciation, however its price levels, be it from an investor, developer or final buyer perspective, are still very far from levels observed in Lisbon and other European cities.

So, if a year ago we enthusiastically launched the first issue of Market 360 for Porto, today we present this new edition with increased enthusiasm. In Market 360 you will find a unique perspective on this “new” Porto and a map of the best opportunities that are thriving in the city! Which there are many, even more than a year ago!



Pedro Lancastre

Portugal Managing Director

Highlights

Porto is proving to be a new destination not only for tourism but also for investment. The past few years have witnessed various regeneration works in different neighbourhoods, transforming Porto into a desirable city in which to live, visit, work and invest.

The demand consolidation alongside an expected pipeline of new offices with the quality and requirements which are currently demanded, anticipates an increase in investment activity in the sector for the coming years, carried out mainly by core, core plus and value add profile investors.

A novelty to the retail market, especially in the Northern Region, is the arrival of the Spanish retail chain Mercadona. Up to the release of this publication 5 stores had opened (Maia, Matosinhos, Vila Nova de Gaia, Gondomar and Barcelos), and 5 more are expected by the end of the year, all part of a strategy that aims to have 20 open stores in the region by the end of 2020.

In the residential market, concluded works are noteworthy and building rehabilitations have been executed to high quality standards. 2019 will be a year marked by the promotion of larger scale residential projects, both in growing areas of the city and more peripheral areas.

47,700 sq m

Office area occupied up to the 3rd quarter of 2019.

€70 sq m

Prime rent for street retail in Porto - Santa Catarina zone.

€170 M

Invested in commercial real estate in the Northern Region during the first 9 months of the year.

60%

Of home sales at JLL were made by international buyers.



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Offices

Porto remains in sight for major international companies, which has given the market a dynamic like never before. This strong demand for office space that has been

felt in recent years begins to be fulfilled, albeit at a slower pace.



Mariana Rosa

Head of Office & Logistics
Agency & Transaction
Manager



TOP 3 Deals

Q1 - Q3 2019

FAIR JOURNEY BIOLOGICS

Delfim Ferreira 760

Area: 8,132 sq m

Zone: PBZ

ADIDAS

Tecmaia

Area: 6,000 sq m

Zone: Maia

INSURANCE COMPANY

(Confidential)

Area: 12,800 sq m

Zone: PBZ

Source: JLL

Portugal's Northern Region, and Porto in particular, have developed at an accelerated rate in recent years. Between 2013 and 2017, the region's GDP grew at an average rate of 4%, double the average growth seen across the country. In 2018, foreign direct investment (FDI) created over 2,700 new jobs in the Northern region, representing 45% of the total observed in the country¹. This development is naturally mirrored by the office market in Porto, accompanying the dynamics of the city's corporate framework, both through the growth of existing businesses, and also the entry of new companies.

International companies that have shown an interest in the city of Porto are mainly technological and large multinationals that locally install their shared and back office services. This demand is justified by the high quality of life that the city offers, qualification of local human resources and competitive prices compared to the rest of Europe.

Although demand is starting to diversify, we are noticing that the technological component continues to be a common thread among most companies that are entering and growing in Porto. PROZIS and Farfetch, two globally known Portuguese e-commerce companies, occupied large areas in 2018. This year Uber and Revolut, two large international technology companies, also selected Porto to base their offices. The presence of these companies confirms and enhances the investment in human resource training in the technology field in the Northern Region. In fact, we have witnessed the growth of several local startups that obtained financing from foreign funds, thus equally contributing to the growing demand for office space. At the same time, the co-working tendency starts to come to life in Porto, with quite a few domestic and foreign players looking for spaces.

Porto remains in sight for major international companies, which has

given the market a momentum like never before. This strong demand for office space that has been felt in recent years begins to be fulfilled, albeit at a slower pace. We currently witness more office buildings appearing in the city, like Boavista Office Centre and Urbo Business Centre totally pre-leased by Farfetch and by BNP Paribas, respectively, and which never got to come to the market. Current pipeline, however, foresees over 150,000 sq m to be introduced in the market by 2025, with emphasis on the expansion of the Lionesa Business Centre (50,000 sq m) and POP buildings (30,000 sq m). New projects are essential for the product offering in Porto to become effectively competitive with other European cities, keeping in line with new office trends, in order to attract not only big companies, but also the talent that they seek.

In the first nine months of the year, Porto recorded a total take up of 47,700 sq m, in a total of 44 operations. In line with the previous year, the Porto office occupancy



PIPELINE

2019

Project: Tecmaia Lote 2
Zone: Maia
Area: 6,200 sq m
Developer: ABB

Project: POP
Zone: Boavista
Area: 30,000 sq m
Developer: Grupo Violas Ferreira

Project: Edifício Sonae -
Maia Business Center
Zone: Maia
Area: 6,900 sq m
Developer: Sonae

Project: Praça da Liberdade 133
Zone: Historic Centre
Area: 3,200 sq m
Developer: n.d.

2020

Project: Porto Business Plaza
Zone: Eastern Zone
Area: 15,500 sq m
Developer: SDCi

Project: Palácio dos Correios
Zone: Historic Centre
Area: 13,600 sq m
Developer: Grupo Ferreira Power Build

Project: Latino Coelho
Zone: Historic Centre
Area: 3,500 sq m
Developer: n.d.

2021

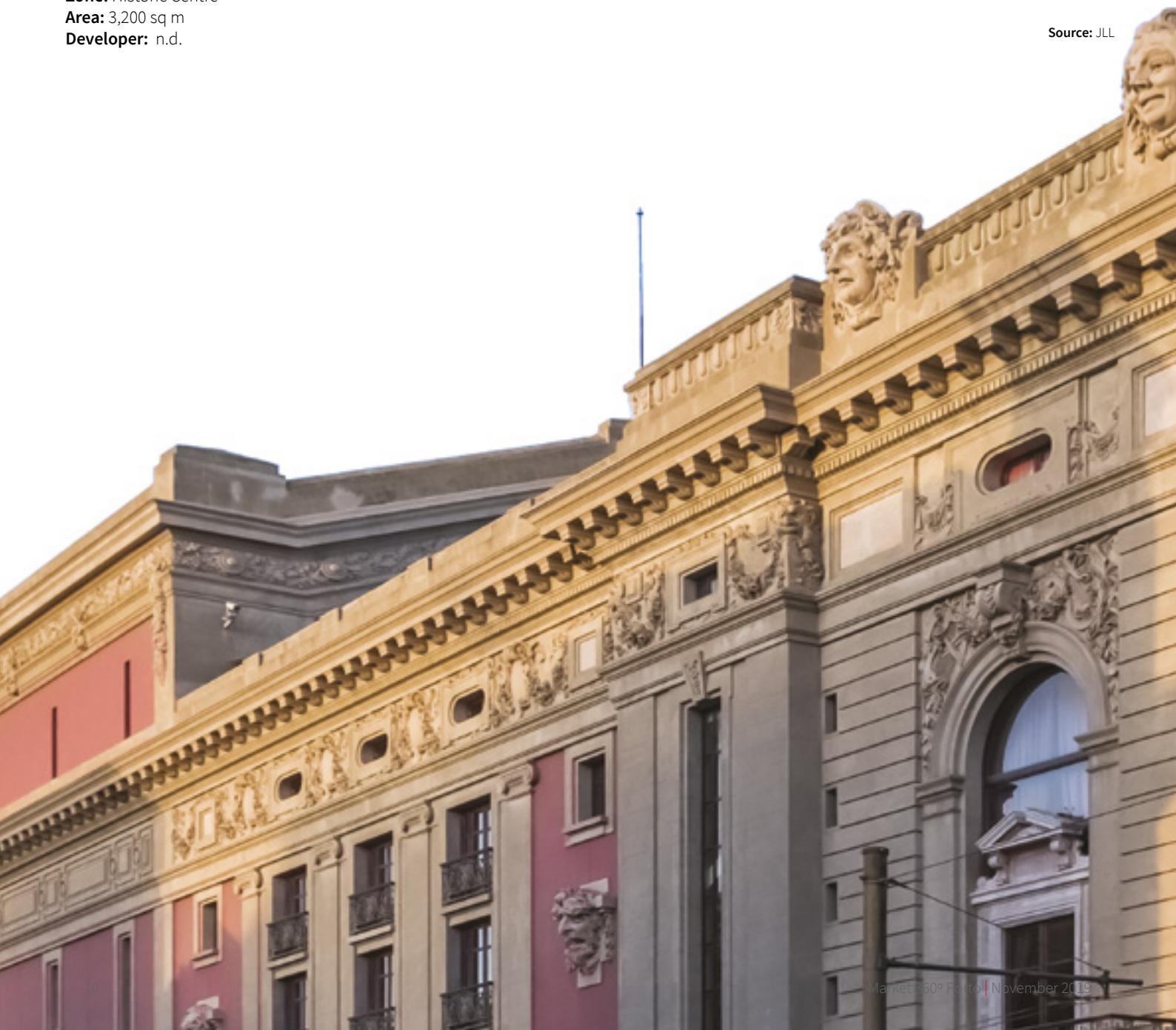
Project: Prime PBZ
Zone: PBZ
Area: 20,000 sq m
Developer: n.d.

Project: The Tannery
Zone: Eastern Zone
Area: 6,000 sq m
Developer: Round Hill

2025

Project: Lionesa Business Centre
Zone: Matosinhos
Area: 50,000 sq m
Developer: Lionesa

Source: JLL



activity is distancing itself from the levels achieved between 2013 and 2017. It is a new market with a new dynamic, which has demonstrated its strong potential as a corporate destination, but that is, unfortunately, currently limited by the lack of supply.

The first nine months of the year reflect the most active areas to be the PBZ (45%), Boavista (14%) and Matosinhos (14%). The largest transaction of the year took place within the PBD, with the occupation of a well-known insurer, justifying the volume of activity in the zone. In Boavista, total occupancy during the first half of the year was achieved

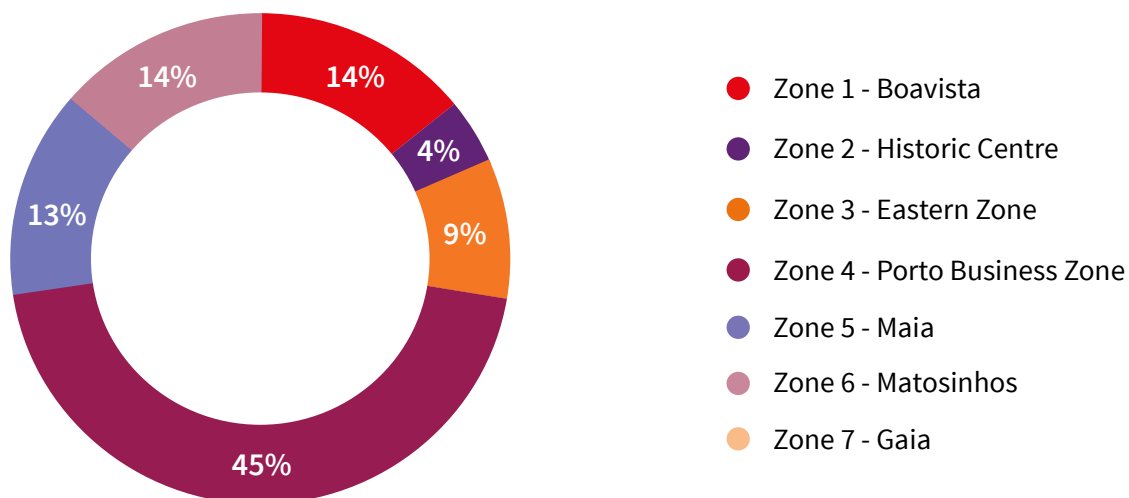
through 16 operations, the largest of which was the entry of HipoGes Iberia in Porto. In Matosinhos, the occupation of Revolut should be highlighted, given it accounted for two-thirds of activity in the area.

In terms of activity sectors, companies operating in Financial Services were the most active in the first half of the year, representing 38% of occupation, followed by the Pharmaceutical and Healthcare sectors with 19% of the activity in 2019. The entry of new firms and the expansion of already existing companies accounted for over 40% of the total occupied during the period, reflecting a clear growth

of the corporate framework in Porto. Despite the increasing demand, rent levels remain relatively stable and the fact that companies seek increasingly larger spaces, limits the landlord's power to increase rents.

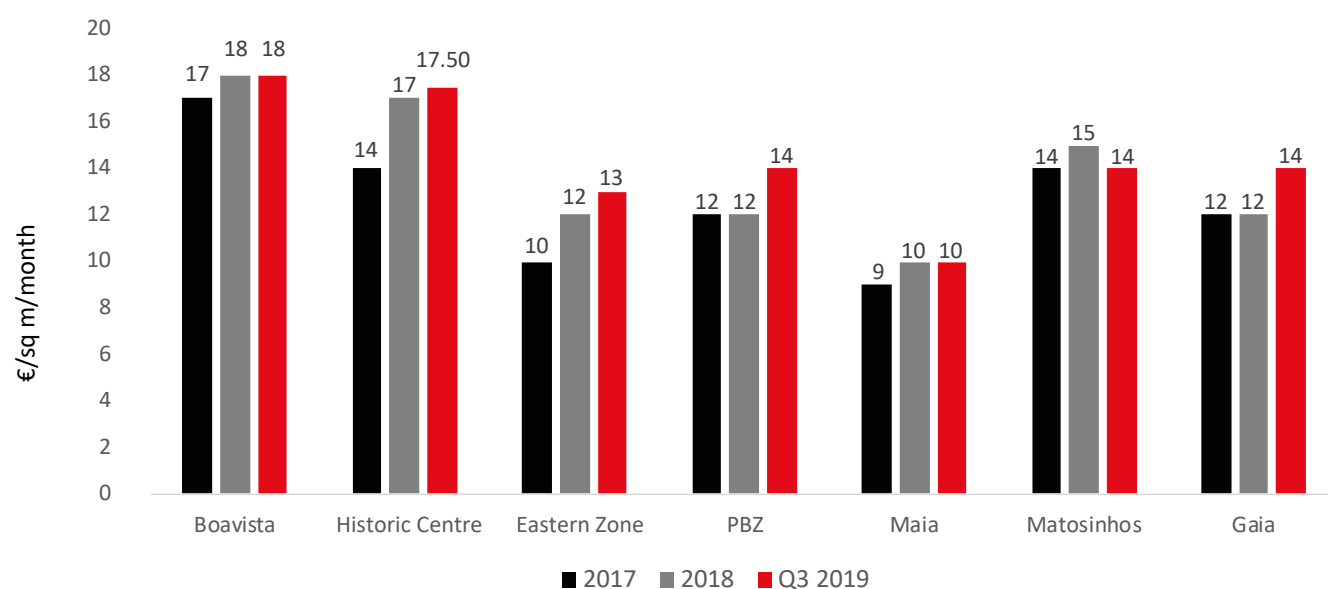


Take up by Zones Q1 - Q3 2019



Source: JLL

Prime Rents Evolution



Source: JLL

Office Zones

Porto



Retail

Given the rehabilitation of some residential buildings and high-end hotels, Avenida dos Aliados is now ready to host premium segment brands.



Patrícia Araújo
Head of Retail

Porto city's dynamism is irrefutable. There are more companies, more jobs, more tourism, and more movement. The city center is in regeneration and there are currently more and more rehabilitated buildings, giving rise to new homes, offices, shops and hotels.

Street retail has greatly benefited from this momentum and the city has been witnessing to consecutive openings of national and international brands, especially in the food and fashion sectors, as exemplified by the openings of K.O.B. by Olivier, Nicolau and Dan's.

Given the rehabilitation of some residential buildings and high-end hotels, Avenida dos Aliados is now ready to host premium segment brands such as Tod's, Burberry, Boutique dos Relógios and David Rosas, which have already been

announced and will officially open soon, inevitably turning this into a unique and exclusive zone.

Santa Catarina, with its main axis in Rua de Santa Catarina, the most established and dynamic zone aiming at the mass market of national and international brands, has been adjusting its offer with less fluctuation in the number of closures and openings than in the past. Nevertheless, within Bolhão market's area of influence, the dynamic is already strong, to become stronger with the its reopening, expected for 2020.

The Clérigos/ Loios zone claims itself as a trendy one, with significant demand that combines traditional retail and premium fashion offer in an exemplary way, where, this year, we highlight the opening of Zadig and Voltaire.

Commercial Developments



Stock

739,300 sq m



Pipeline

2019-2020

3,600 sq m
(NorteShopping)

With prime zones ever more touristic, the city is witnessing a natural expansion to less central zones of the city. The Boavista zone that was once a premium positioning retail area which lost its glow over the last decade, has benefited from these recent movements and from the verified trend of convenience retail spaces “getting closer” to where people work and/or live. In Foz, a typical residential area, there are new restaurants and fashion stores.

Given all the interest and dynamism verified in the city of Porto, rents are increasing more in emerging and growing areas than in prime areas. In Rua de Santa Catarina the rental values have doubled since 2012, with prime rent reaching €70/ sq m/ month. Clérigos and Aliados reflect a prime rent of €45/ sq m/ month and the Flores/ Mouzinho da Silveira zone €40/ sq m/ month.

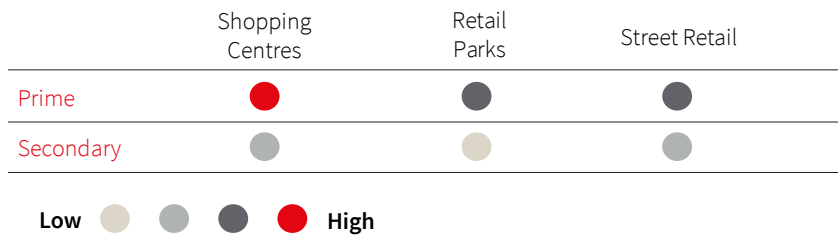
Commercial developments, which total stock in the Porto Metropolitan Area is 739,300 sq m, maintain their dominance as a shopping destination. The maturity of the market, the digital revolution and consumers’ needs for different experiences have had an impact on shopping centers’ promotion, management and operation. The pipeline of the Porto Metropolitan Area is now only limited to the expansion of NorteShopping, where 16,400 sq m were inaugurated, with a total of 30 stores, a new and more modern food court and one of the world's largest Primark with an area of 6,300 sq m.

Another novelty of the retail market, especially in the Northern Region, is the arrival of the Spanish retail chain

Mercadona. Up to the date of this publication 5 stores had opened (Maia, Matosinhos, Vila Nova de Gaia, Gondomar and Barcelos), and 5 more are expected by the end of the year, all part of a strategy that aims to have 20 open stores in the region by the end of 2020.

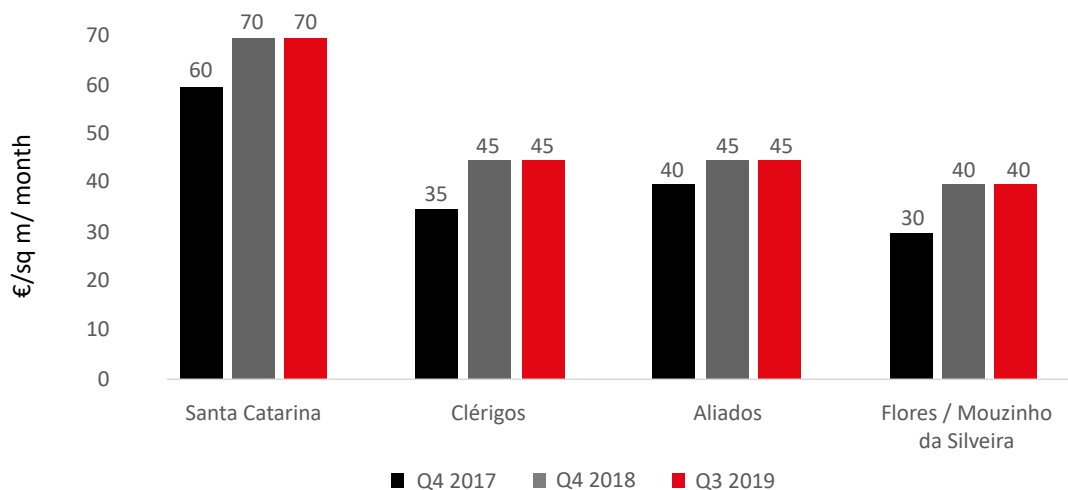


Demand Behaviour



Source: JLL

Prime rents - Street Retail



Source: JLL

Opening Highlights

Street Retail

Santa Catarina

Hawkers
Falconeri
Xiaomi

Clérigos e Loios

Starbucks
Zadig & Voltaire

Foz

Jeronymo
Go Natural

Boavista

Guilty

Downtown

KOB
Nicolau
Dan's
Panda

Aliados (Next openings)

Tod's
Burberry
Boutique dos Relógios Plus
David Rosas

Other Highlights

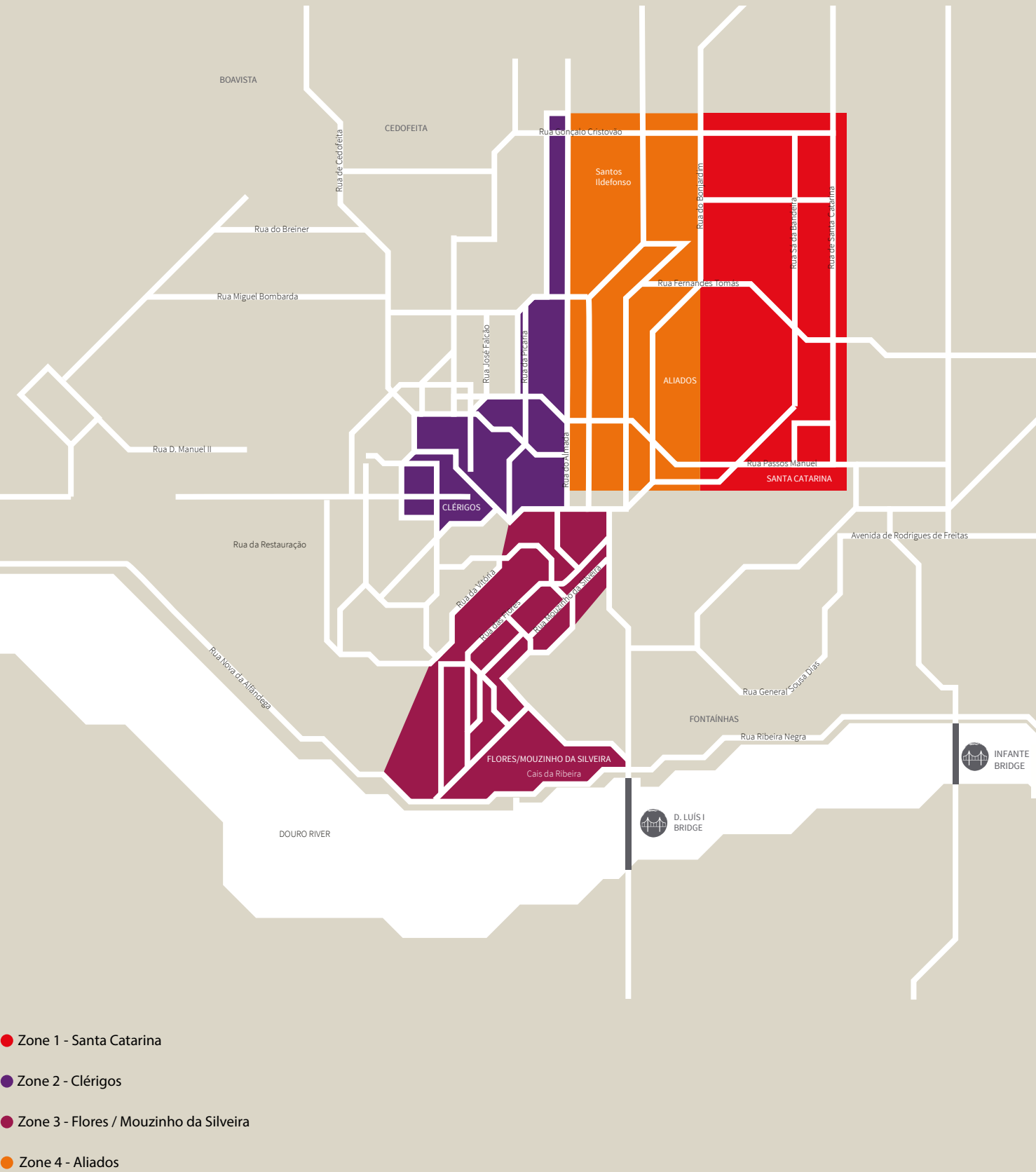
North Region

Mercadona

Matosinhos
Maia
Gaia
Gondomar
Barcelos

Street Retail Prime Zones

Porto



Investment

Demand consolidation alongside an expected pipeline of new office space with the quality and requirements currently demanded, foresees an increase in

investment activity in the sector for the coming years, undertaken mainly by core profile, core plus and value add investors.

Porto is proving to be a new destination not only for tourism but also for investment. Over the past few years, various regeneration works in different districts have taken place, turning Porto into a desirable city in which to live, visit, work and invest.

The favourable economic and political environment in Portugal proved crucial in attracting all types of investors. As Lisbon becomes increasingly "overcrowded", investors begin to look at Porto as an alternative, which offers good opportunities for value add and opportunistic investors.

If we look at the volume transacted since 2014, circa 1,341 million euros were invested in commercial real estate in the northern region, corresponding to 10% of the total invested nationwide. Similarly to the rest of the country, the retail sector had, in recent years, dominant weight (65%) due to



Fernando Ferreira
Head of Capital Markets

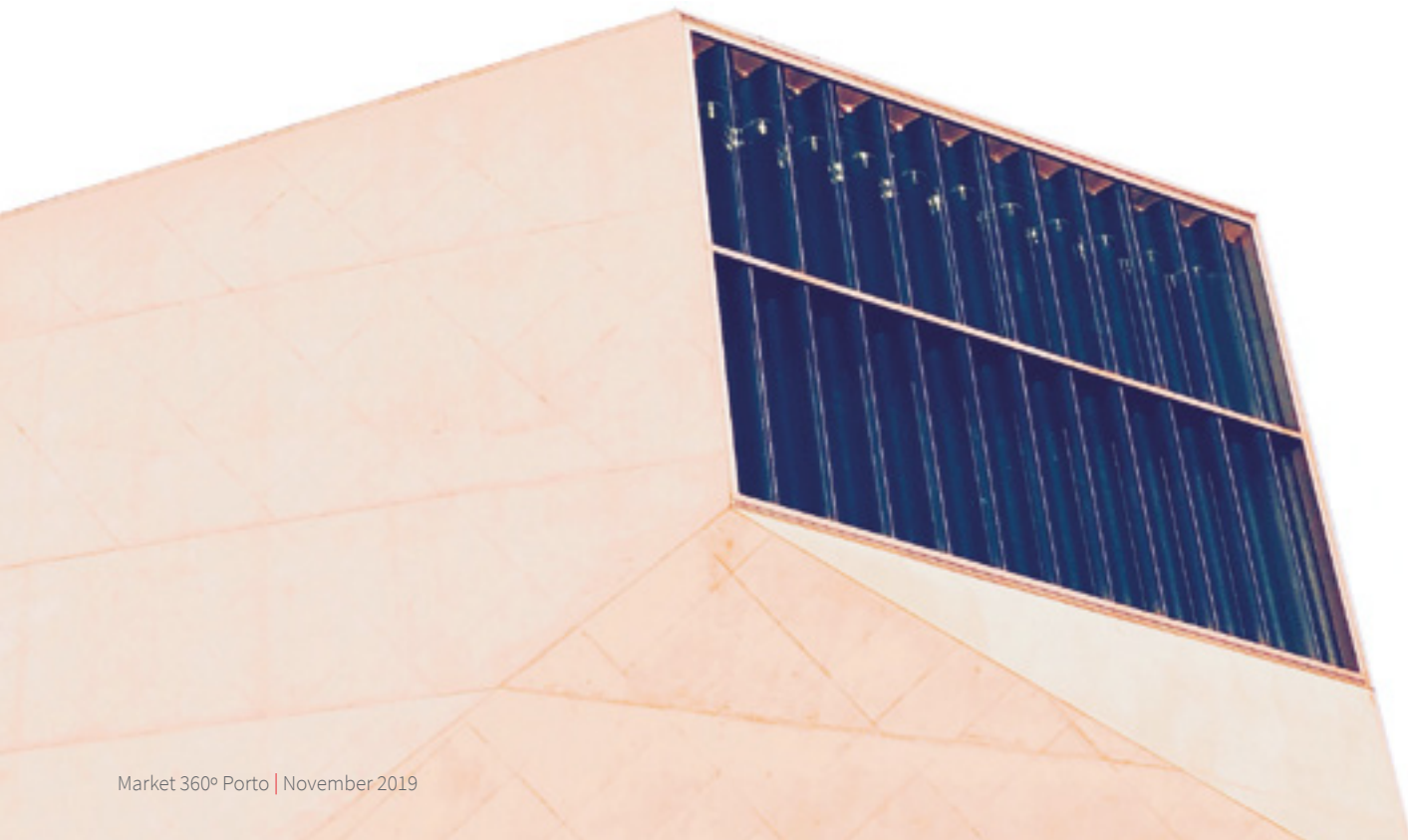
transactions of several commercial developments, which is due not only to the naturally high tickets that this type of asset comprises, but also to asset allocation strategies of large international management companies that are investing in the Portuguese market. On the other hand, this region comprises a significant part of the dominant commercial developments, whose operational performances are attractive to these investors. We highlight the portfolio of 4 stores in Av. Dos Aliados (€ 15.7M) and the transactions of several food retail assets.

During the first nine months of 2019, approximately € 170M were invested, among which stands out the largest ever transaction in the Porto office sector, with the purchase of the Burgo building – worth over 40 million euros, and the purchase of a portfolio of two student residences (Lisbon and Porto) operated by Odalys for an amount above 28 million euros.

In the Office sector, interest begins to grow. Currently, several startups and national and international companies have chosen Porto to establish themselves, expand or base part of their services, boosting the occupational market and consequently respective rents. Demand consolidation alongside an expected pipeline of new office space with the quality and requirements currently demanded, foresees an increase in investment activity in the sector for the coming years, undertaken mainly by core profile, core plus and value add investors.

Regarding the rate of return on assets, as the second largest city, Porto naturally registers higher yields than those practiced in Lisbon. In the office market prime yield is currently at 6%, positioning itself 200 basis points above the capital; street retail yields were established at 4.75%, representing a less pronounced differential between

the two cities (75 bp). The commercial developments market is analysed at national level, as the impact of asset performance in yield is very relevant and not always dependent on location. The Porto region includes one of the five national prime shopping centers, whose yield stands at 5%.



TOP 3 Deals

Q1 - Q3 2019

Leiria Shopping

Buyer: Deutsche Bank

Value: €128M

Sector: Retail

Edifício Burgo

Buyer: Varde Partners

Value: N.D.

Sector: Offices

Portfolio Avenue

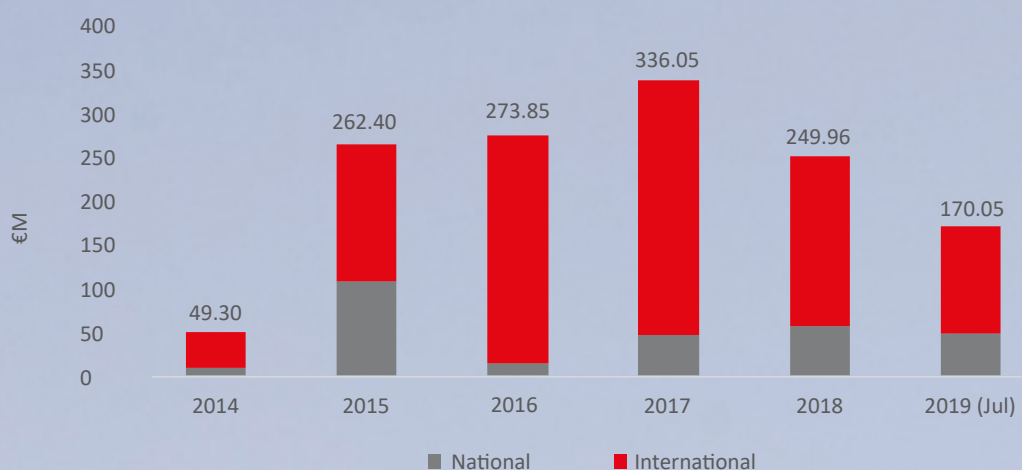
Buyer: Tander Inversiones

Value: €15.7M

Sector: Retail

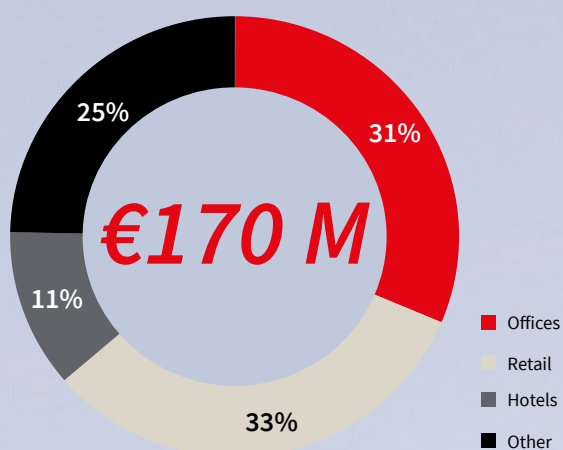
Source: JLL

Investment Evolution in the Northern Region



Source: JLL

Investment Volume by Sector Q1 – Q3 2019



Source: JLL

Porto Yields



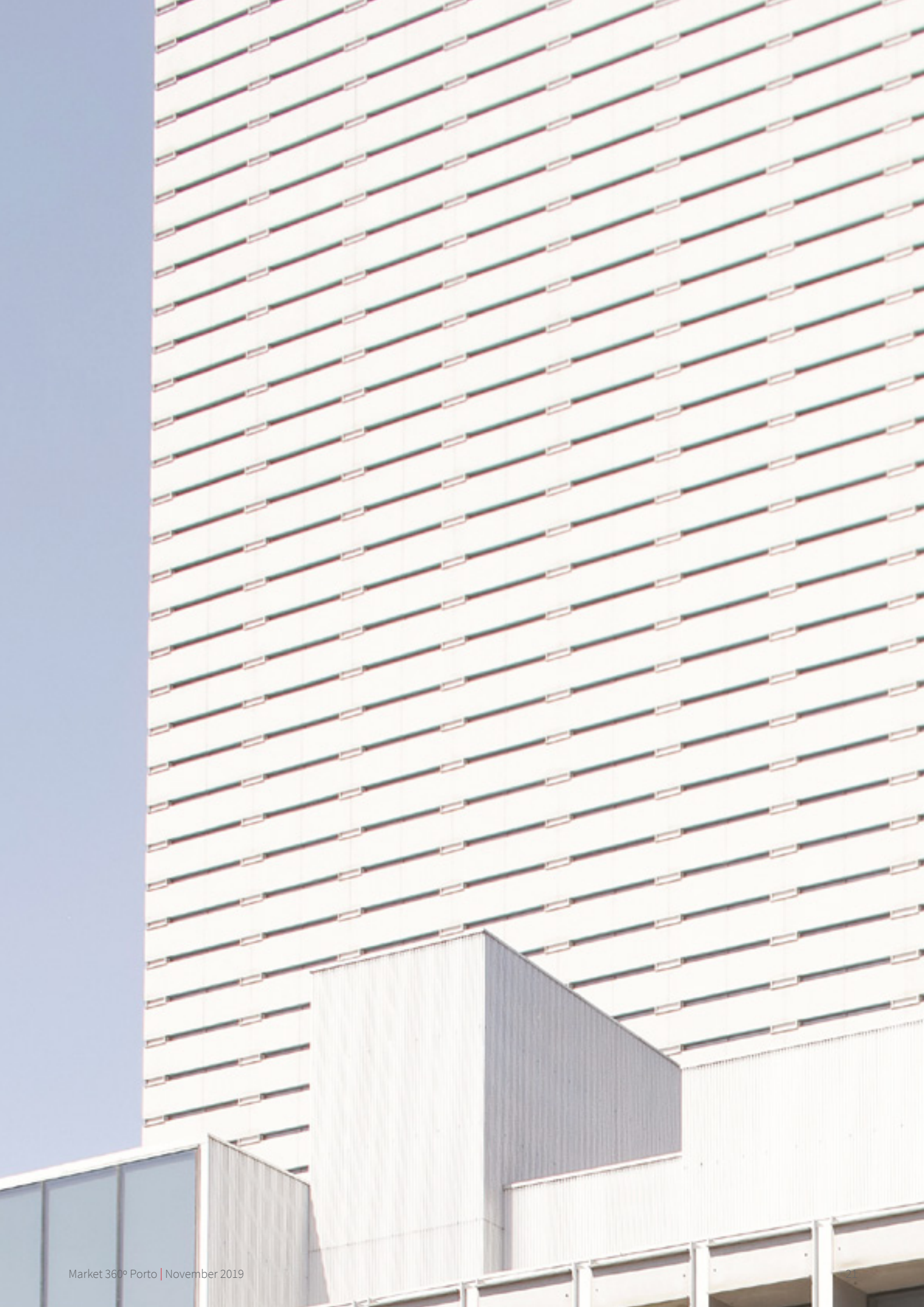
Offices

6.00%



Street Retail

4.75%



Residential

Additionally, 2019 will be a year marked by the promotion of larger scale residential developments, both in growing and more peripheral areas of the city.



Patricia Barão
Head of Residential

The Porto housing market remains very dynamic. The city centre continues to attract developers given the high demand from domestic and foreign buyers. The works done are noteworthy and building rehabilitation has been executed to high quality standards. Additionally, 2019 will be a year marked by the promotion of larger scale residential developments, both in growing and more peripheral areas of the city.

In the first half of the year, according to Statistics Portugal, 14,025 homes were sold in the Porto Metropolitan Area. The sum of the previous 12 months (including the 1st half 2019) reflects a 5% increase in homes sold over the same period. The increase in supply of new homes is equally reflected in this indicator, registering a 10% annual growth of

new homes, compared to only 4% of second hand homes, during that same period. Where house prices are concerned, it increased by 24%, over the same period, according to the Confidencial Imobiliário Price Index. However, despite the large increases reflected in recorded values, we find most recent buyers to be more cautious during the purchase, thus leading to a longer decision-making processes.

The Porto residential market has attracted both foreigners and Portuguese buyers, nevertheless, with international segment weighing circa 60% in JLL mediated transactions. South African buyers were the most significant investors in Porto housing, immediately followed by the Brazilian market, then Chinese buyers (from Hong Kong) ranking in the third position, and France and Israel in fourth and fifth.

TOP 5

International Buyers

- 1st - South Africa
- 2nd - Brazil
- 3rd - Hong Kong (China)
- 4th - France
- 5th - Israel

Source: JLL



60% of International Buyers

The share of domestic buyer, on the other hand, as expected, has been growing, with bank financing facilitating home purchase.

In 2019, to date, around 570 new apartments have been completed in Porto, distributed over 29 residential developments.

The two zones reflecting a stronger demand, price increase and offer, are Baixa and Foz. In Baixa there was a change in terms of the most demanded home types. Until last year there was mostly demand for small typologies (T0 and T1), however, this year investor demand was mostly focused on larger apartments both for long-term. The supply of larger apartment types is, however, still scarce thus the units coming to market reflect a rapid take up at higher prices. In the Foz zone, on the other hand, where supply is mostly targeted at families with typologies equal or superior to T2. The amount of small

type apartments is scarce, as well as the space available for new construction and there is a significant demand in this segment given the rapid take up of these asset types.

In the Bolhão market zone, which will soon reopen doors, and where new businesses and commercial spaces are beginning to settle, there are also new projects in small residential buildings that give rise to modern homes.

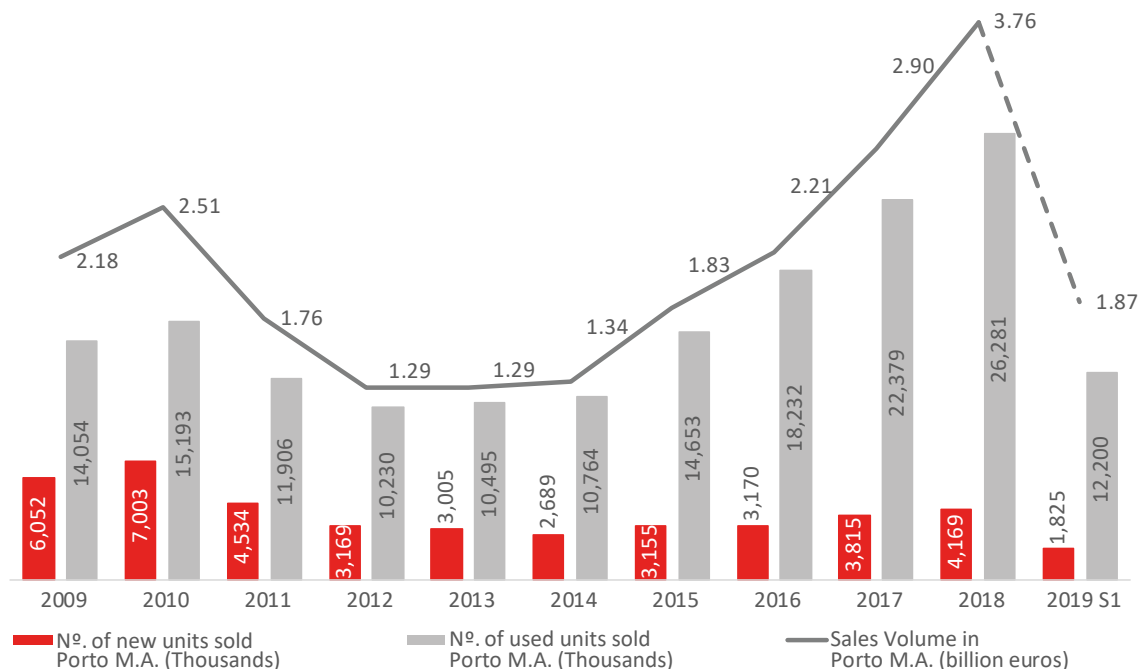
In the Bonfim and Campanhã zones we are witnessing a new dynamic with the emergence of new developments in old rehabilitated buildings, keeping the original facades.

The Antas zone will regain momentum over the next year with the entry of significantly scaled new projects aimed at the middle class.

Regarding the Porto housing pipeline, according to Confidencial Imobiliário, it is practically at the Lisbon level in terms of building rehabilitation, with 864 licensed units in the first half of the year (vs. 908 in Lisbon), about 18% above the six-month average of this indicator in 2018. In terms of new construction, Porto has nearly doubled in the first half against the six-month average of 2018 (640 homes) counting above 1,000 new construction units, representing 60% of the units in pipeline. There were a total of 2,130 licensed units in Porto during the first half of 2019.

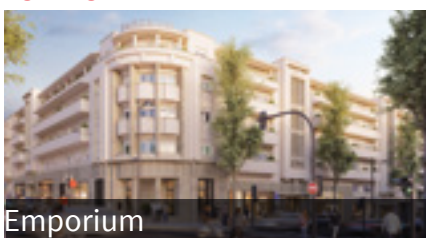


Residential sales (Number of sales and sales volume)



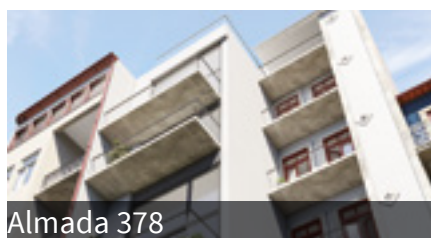
Source: JLL based in information from Instituto Nacional de Estatística (INE)

TOP 3 DEVELOPMENTS Q1- Q3 2019



Emporium

Zone: Cedofeita
Promoter: Emporium 658 - Inv. Imob. Lda.
23 Apartments
70% sold in 4 months (off plan)



Almada 378

Zone: Cedofeita
Promoter: Construções Vila Maior
17 Apartments
53% sold in 6 months (off plan)



Ouro Residence

Zone: Massarelos
Promoter: Grupo Ferreira
14 Apartments
90% sold in 16 months (off plan)

Source: JLL

Porto Prime Residential Zones

Prime Value (€/sq m)

Boa Vista	€ 4,500
Baixa / Historic Zone	€ 6,500
Massarelos	€ 5,000
Campo Alegre	€ 4,000
Foz do Douro	€ 6,500
Aldoar	€ 5,000
Pinheiro Manso	€ 4,500
Prelada / Constituição	€ 2,500
Antas	€ 3,000
Asprela	€ 3,500
Bonfim / Campanhã	€ 2,500
Matosinhos Sul	€ 5,500
Matosinhos	€ 3,000
Gaia Rio	€ 3,500
Gaia	€ 2,500

Development

Currently in the spotlight, projects for student residences represent significant investment values, both by foreign and domestic investors.



Gonçalo Santos
Head of Development

The year has been marked by strong activity in the property development segment, both in number and volume of transactions of land plots or buildings for rehabilitation. In the centre of Porto, demand for real estate development opportunities is huge, motivated by an extremely positive momentum in the placement of the final product, be it housing, offices, hotels or student residences. The scarcity of buildings and land for sale, along with the price increases of the final product, have been pushing the value of buildings upwards.

Thus, even in a scenario of slower licensing processes, higher construction costs and the negative impact of legislative changes, we anticipate a year with significant transactional activity, in line with previous years, supported mainly by the strength of demand for the final product and the continuous increase in players, both national and international, operating in our market.

Despite the fact that several rehabilitated buildings are already visible, the city of Porto still holds many real estate development opportunities. These opportunities

TOP 3 DEALS Q1 - Q3 2019

QUINTA MARQUES GOMES

Area: 270,000 sq m
Buyer: United Investments Portugal

PRIME PBZ

Area: 20,000 sq m
Buyer: Grupo Ferreira

HOTEL PROJECT / RESIDENTIAL

Area: 7,000 sq m
Buyer: Hilimob

Source: JLL

arise both for rehabilitation of existing buildings and for new construction, due to several empty urban spaces that still characterize the city. Since 2014 the number of building permits for construction has evolved positively; during 2019 (up to July) INE registered 1,693 building permits in the Porto Metropolitan Area, which corresponds to an increase of 10% over the same period in 2018.

Projects in pipeline and under construction are applicable to almost all sectors, often combining several uses in the same project. The future Quarteirão Bonjardim located next to the Rivoli Theater, the Amial project, developed by Round Hill, Quinta Marques Gomes, promoted by United Investments, the Efanor or Matadouro project, located in the eastern part of the city, all confirm the trend of mixed uses and expansion into less central and consolidated zones of the city of Porto.

Residential developments, hotels, student residences and offices are on the rise in Porto, despite the market still reflecting a huge potential for growth and opportunity.

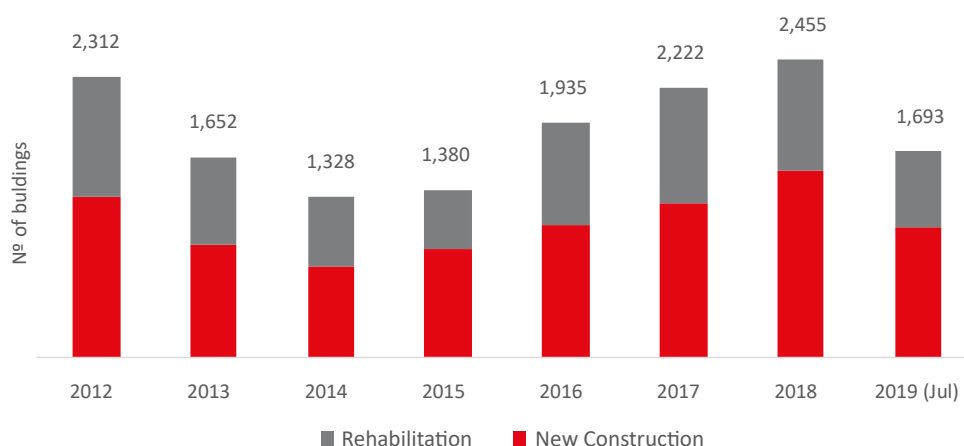
Currently in the spotlight, projects for student residences represent significant investment values, both by foreign and domestic investors, and these will impact the city, significantly improving the supply of university housing, both in the centre and on campus in Asprela. Examples are the Milestone, Uhub, Smart Studios, The Nido, Livensa Living and The Student Hotel projects, among others.

As long as the strong interest of multinationals to open offices in Porto continues, the 150,000 sq m pipeline which includes the POP buildings in Boavista, or Lionesa will be sufficient to meet current demand.

In the purely residential segment, real estate development is enhanced in the centre of Porto, with a strong impact in Baixa / Foz's Historical Centre. The projects in pipeline, such as the Quarteirão Bonjardim, Emporium, Porto d'Ouro and Living Aliados will bring luxury apartments and homes to market, thus the expectation that prime values should remain high. The hotel industry is equally in great development, with projects such as the 5-star Eurostars Aliados, and hotels with distinctive positioning such as the Yotel, Ibis Styles and The Student Hotel.

In the retail sector only street retail has been leveraged by the rehabilitation of buildings whose ground floors give way to new stores, which in the busiest streets end up having significant demand.

Licensed Buildings in Porto



Source: JLL

Hotels

Portugal's constant recognition contributes to the sector's sustained growth, making it the attention focus of the main operators and hotel investors

globally, whose interest has resulted in the greatest investment volume ever recorded.



Karina Simões
Head of Hotels &
Hospitality

The long-term strategies that are being prepared by the responsible entities coupled with a greater awareness by operators and investors about the need to provide differentiated products, have had a positive impact on the tourist industry that, therefore, attracts an increasingly diverse number of tourists.

In this sense, Portugal remains in the top rankings of global destinations as noted once again during the Tourism Oscars, where the country received several awards. Portugal's constant recognition contributes to the sector's sustained growth, making it the focus of attention of the main operators and hotel investors globally, whose interest has resulted in the greatest investment volume ever recorded.

In Porto, the tourism market is very dynamic, having closed the year of 2018 with solid fundamentals. The strong growth recorded is due to the fact that

HIGHLIGHT OPENINGS

Q1 - Q3 2019

Neya

Hotel

124 Rooms

Porto Bay Flores

Hotel

106 Rooms

Boeira Garden

Hotel

119 Rooms

Source: Lisbon Tourism Observatory Indicators and Porto Indicators STR; JLL

the market is weakly consolidated. The occupancy rate reflected a small 1.3% decrease as expected, compared to 2017, standing at 75.1%, while ADR increased by 12.1% to € 113.67 and RevPAR 10.6% to € 85.37, creating a solid foundation for 2019.

The hotel market in Porto has therefore achieved a unique development, which in the first half was reflected in a 7.4% and 10.3% growth in RevPar and number of overnight stays, respectively. In Sá Carneiro Airport, 3 million passengers landed between January and June, representing a 10.2% annual growth. In Leixões Cruise Terminal the flux of 48 thousand passengers represented a decrease of 28.5% in homologous terms. Porto is among the European cities with better RevPAR results, supporting forecasts which are pointing to a performance improvement in the medium term. This coincides with the growth and development potential of the

city and its increasing attractiveness as a business and leisure destination.

Several investment projects for new hotels in the city are noted. Since the beginning of the year, at least 3 new hotels opened in Porto, constituting an increase of 349 new beds in the city, especially the opening of the Porto Bay Flores and Boeira Garden both positioned in the luxury segment. The pipeline includes 866 rooms in 8 hotels, 3 of which will be operated by major brands such as Yotel, Ibis Styles or Student Hotel focused on the Millennials and young generation who value the experience. A close relationship with Vila Nova de Gaia will favour the city with the increased hotel offer targeted at the MICE segment, the project being a 200 room hotel associated to the cultural and congress center, just 1.5 km from Porto's historic centre.

International investor interest in Porto has increased in recent years. Two

investment operations in hotels should be highlighted, for a total of 20 million euros. In the coming years a continuation of hotel units and local accommodation transactions are anticipated in the city, both in repositioning and development opportunities, a momentum that will only be limited by the available product and its potential.







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