

how real estate is changing fast



Eric van Leuven



CUSHMAN &
WAKEFIELD

OPPIGE

Office Occupation Market Portugal

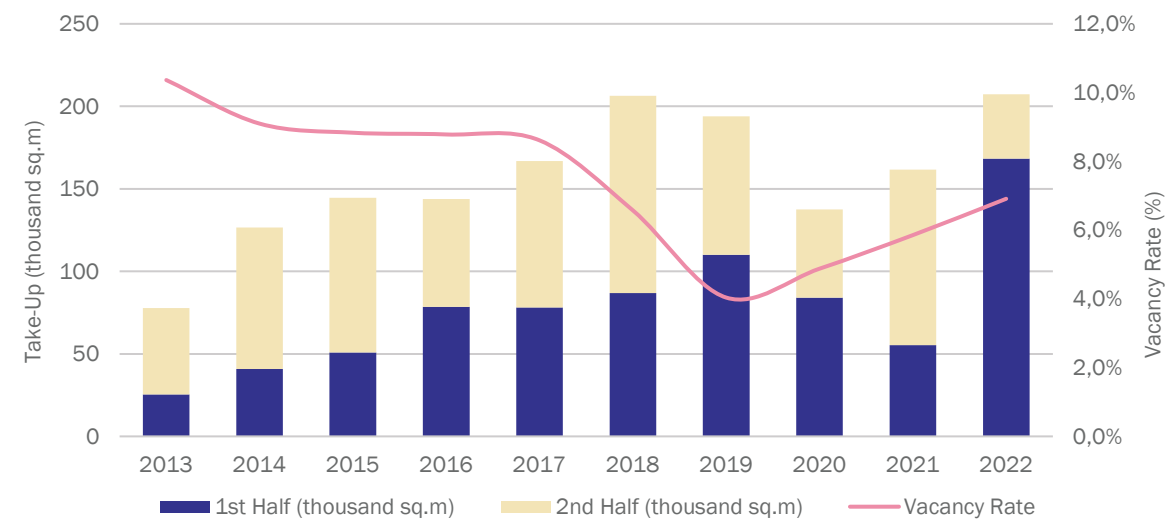
Take-up & Rents

- + 2022 poised for record take-up, driven by pre-lettings and owner-occupation
- + Prime rent: €25/sqm/mth (Lisbon); €18/sqm/mth (Porto)
- + Demand for quality spaces may lead to rent increase

Supply & Vacancy

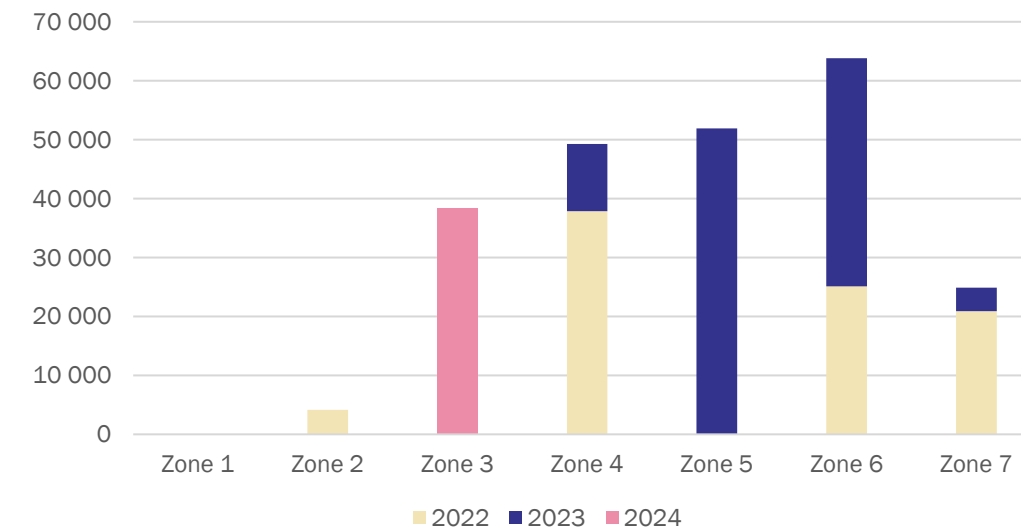
- ❖ Vacancy rate 6.9% - mostly outdated stock
- ❖ No more than 42,000 sqm of completions by Q2 2022
- ❖ Future supply potentially 500,000 sqm – much still subject to planning and finance
- ❖ Under construction: 235,000 sqm (73% pre-let or owner occupied)

Lisbon Office Take-up & Vacancy Rate



Source: Cushman & Wakefield Research

Pipeline Under Construction for the next 3 years



Source: Cushman & Wakefield Research

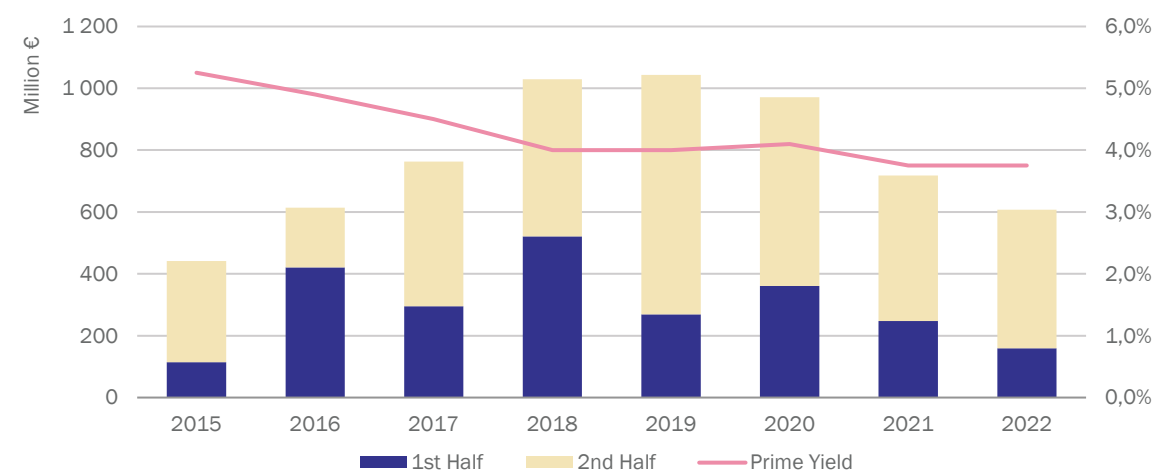
OPPIGE

Office Investment Market Portugal

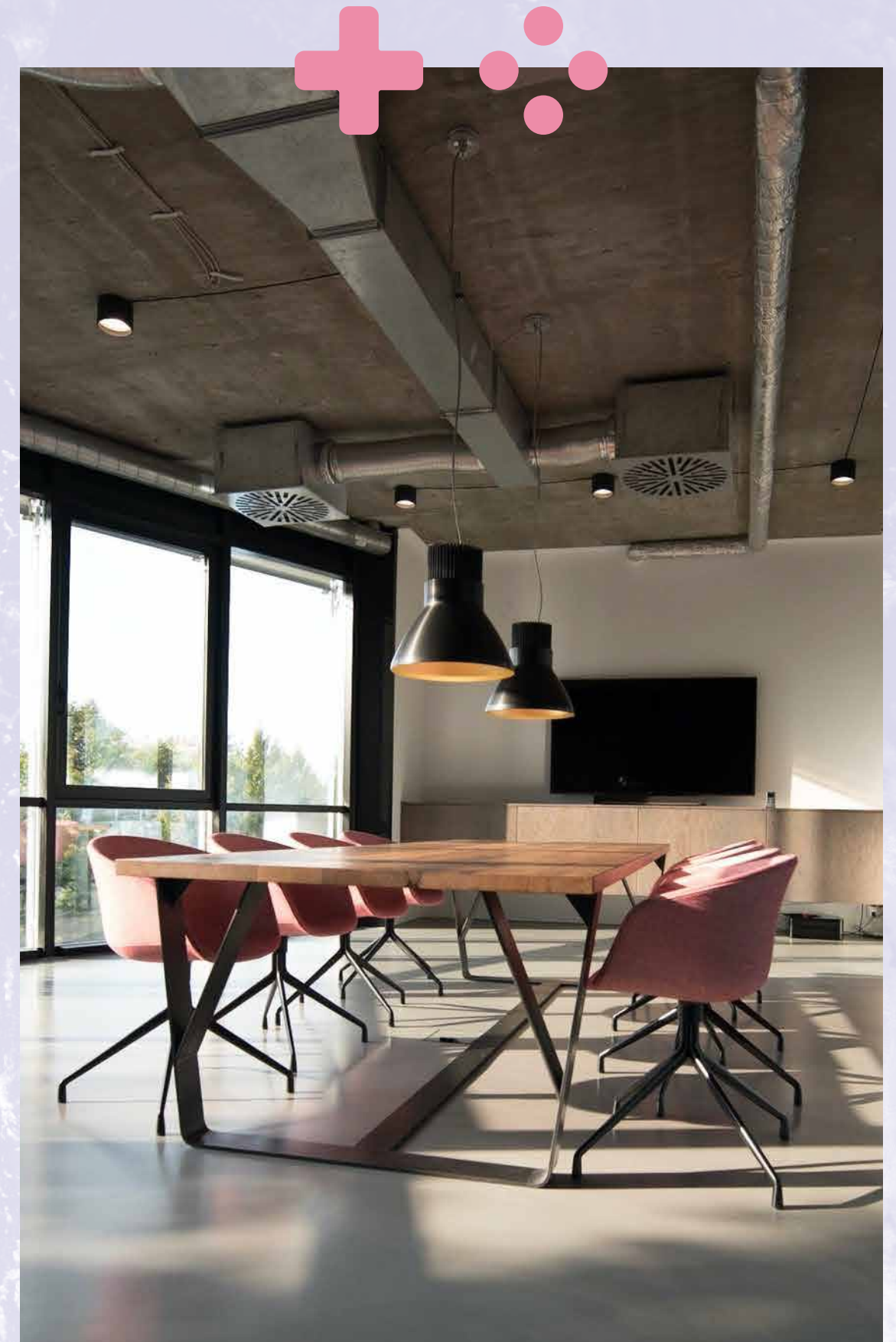
Investment

- Reduced volumes due to lack of stock - yields hardened
- Until recently, all locations considered
- Secondary product being upgraded – “manage to core”
- ESG criteria increasingly determining liquidity and pricing – 2-tier market

Portugal Office Investment Volume & Yields



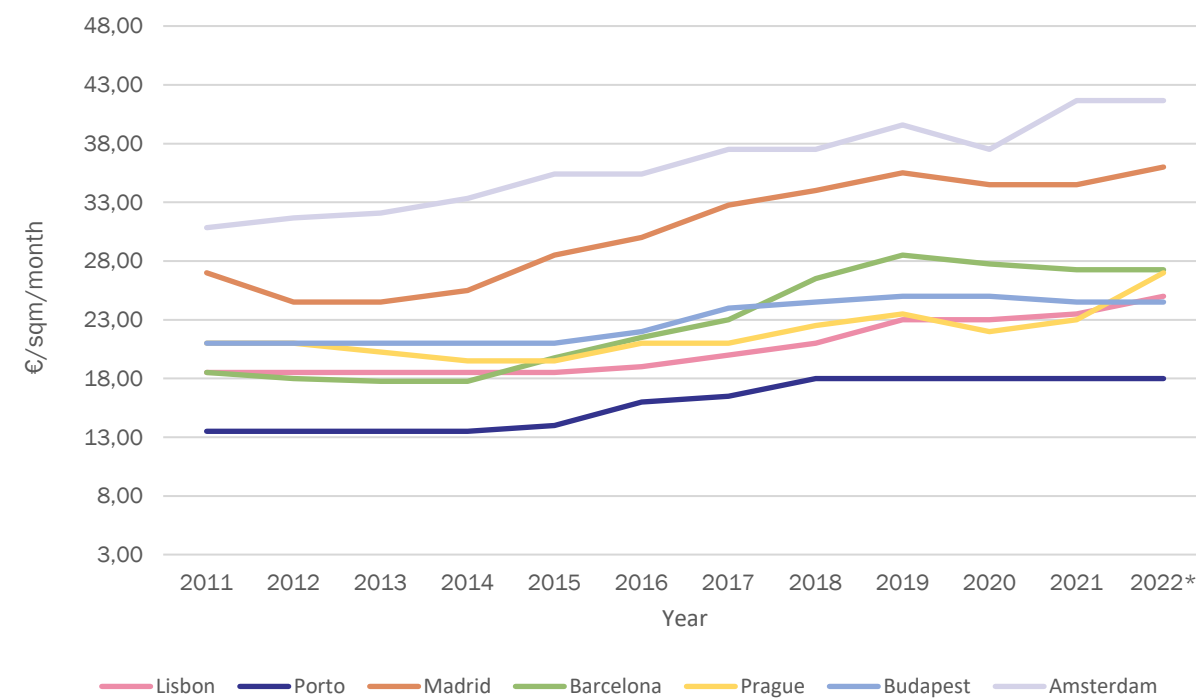
Source: Cushman & Wakefield Research



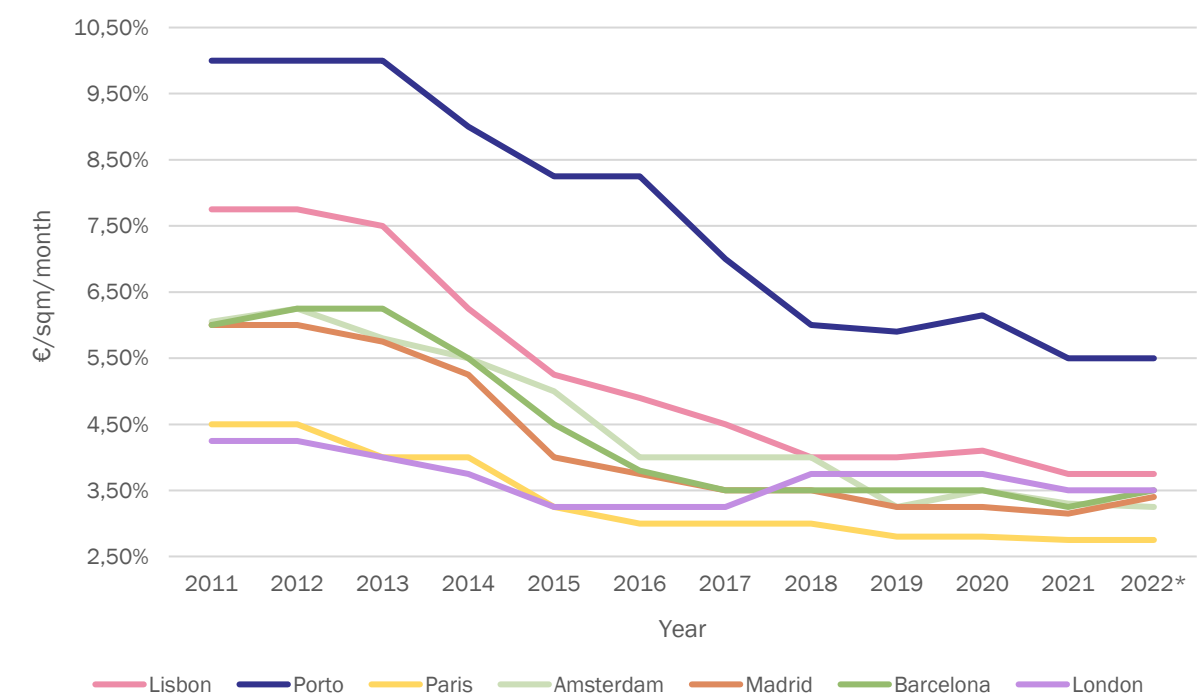
OFFICE

Office Rents & Yields Selected Cities

Prime Office Rents



Prime Office Yields



Source: Cushman & Wakefield Research



Demand for *high-quality space* and *stabilizing vacancy rates* continue to support rental growth across *European cities*

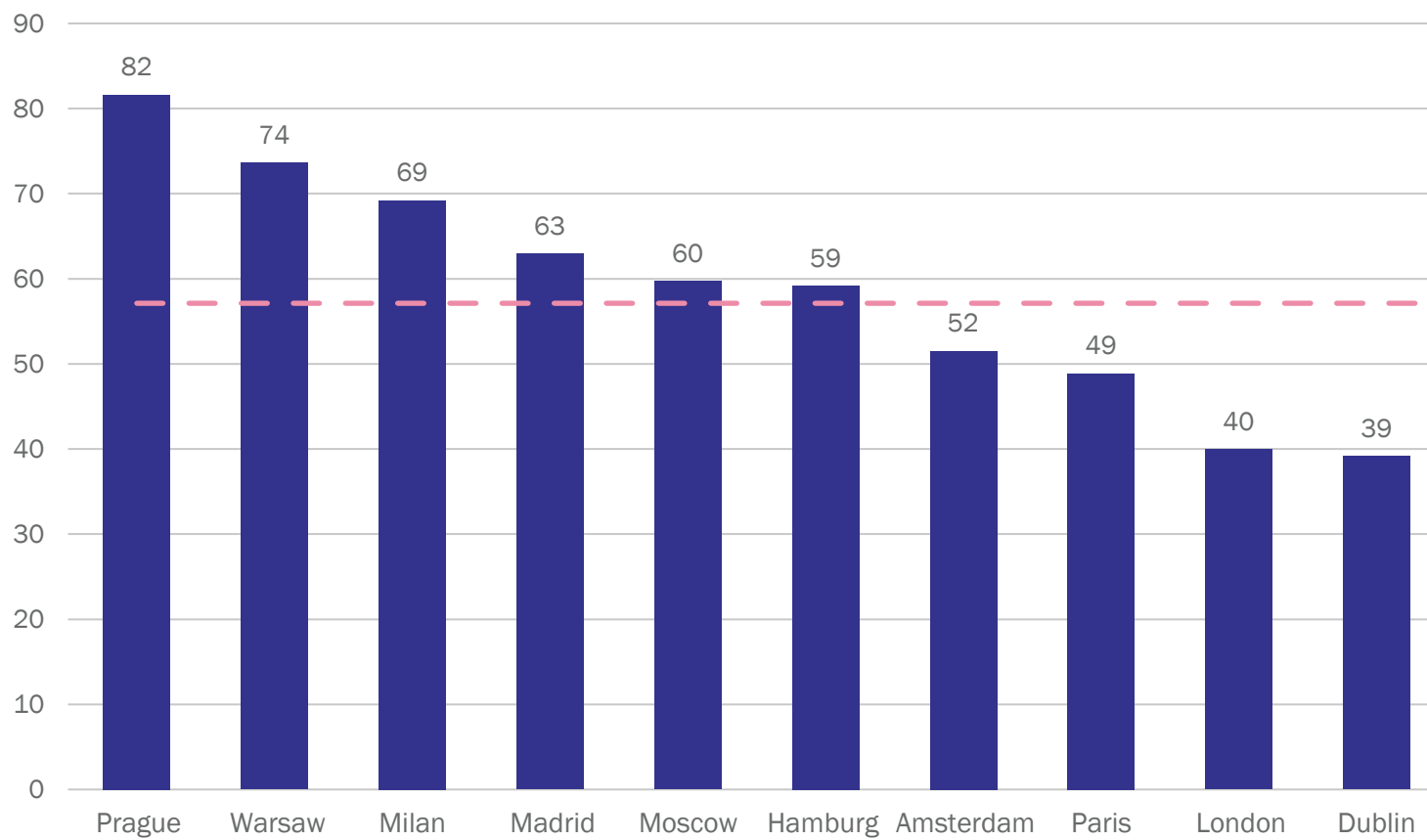


Lisbon and Porto* still competitive when compared to other *European cities

OFFICE

Office Employment & Occupancy Post-Pandemic

Percent of Employees Back in the Office



— Occupancy in Europe at 57% of pre-pandemic norm

Source: Kastle Access Control System



Unfortunately, no data for Portugal



Often poor WFH conditions;
generally shorter commute



But hybrid working here to stay



Flexible office concepts very active,
but still only 3% of total space

OFFICE

Office-based Employment (000's jobs)

Lisbon top-5 to lead
office-based job creation

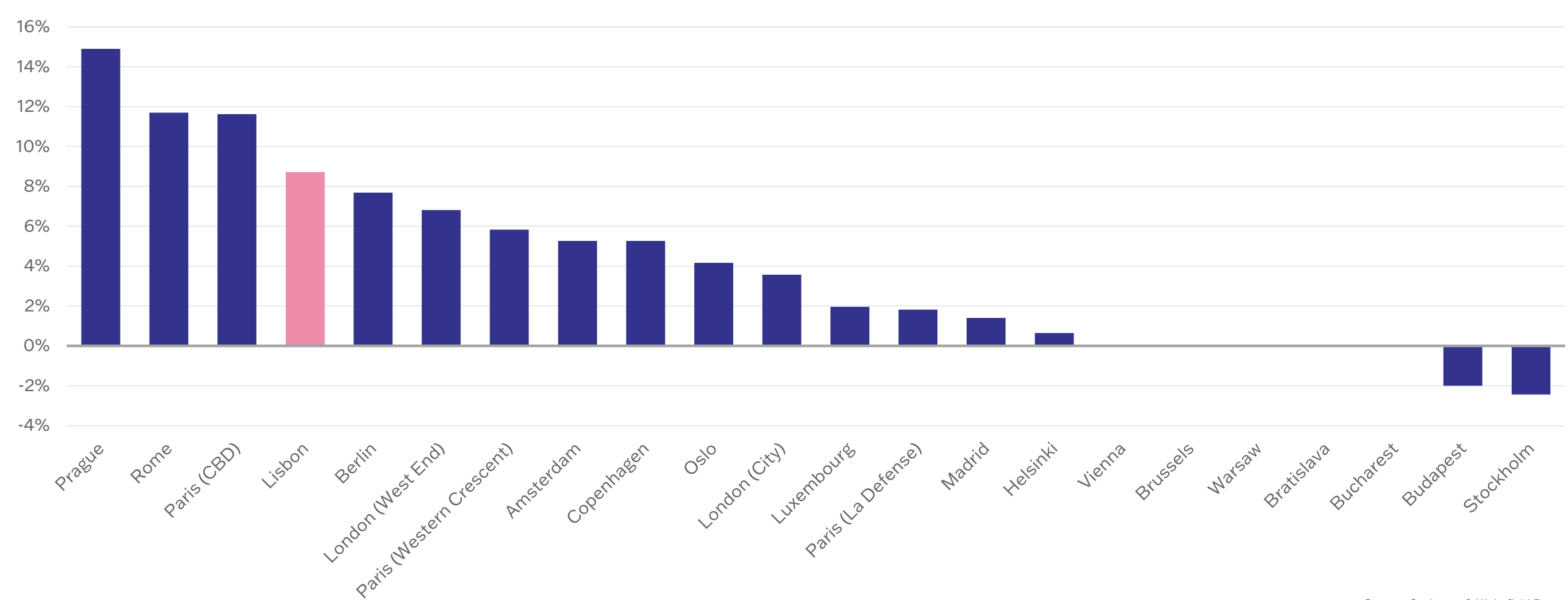
Market	2010-2014	Ranking	2015-2019	Ranking	2020-2022	Ranking	20-25-2025	Ranking
Paris	113.2	1	196.7	1	102.0	2	49.8	1
Madrid	41.8	7	143.4	2	102.9	1	39.8	2
Budapest	62.5	3	57.2	7	41.8	6	24.3	3
Stockholm	34.2	8	38.8	13	27.7	11	19.3	4
Lisbon	1.8	19	64.3	5	49.2	4	19.3	5
Milan	24.7	10	57.0	8	39.3	7	19.0	6
Bucharest	19.0	14	22.9	18	66.1	3	14.8	7
Barcelona	-18.8	20	92.1	4	34.8	8	14.8	8
Lyon	26.0	9	41.8	12	21.4	14	13.7	9
Munich	50.7	4	46.6	11	15.7	17	12.8	10
Rome	7.4	17	60.5	6	29.3	10	11.8	11
Prague	3.4	18	32.7	14	18.2	15	9.3	12
Berlin	42.7	6	110.3	3	17.9	16	9.1	13
Vienna	16.1	15	30.9	15	21.9	13	8.7	14
Amsterdam	22.3	12	52.1	9	46.5	5	8.5	15
Göteborg	12.3	16	24.3	17	13.1	18	8.3	16
Manchester	43.5	5	48.1	10	25.7	12	7.7	17
Warsaw	75.9	2	27.2	16	32.5	9	7.3	18
Cologne	21.5	13	15.2	20	12.8	19	7.2	19
Zürich	23.6	11	16.1	19	9.7	20	7.1	20

OFFICE

Office Prime Rents in Europe

Majority of European office markets have fully recovered from the pandemic

Office Prime Rents in Europe



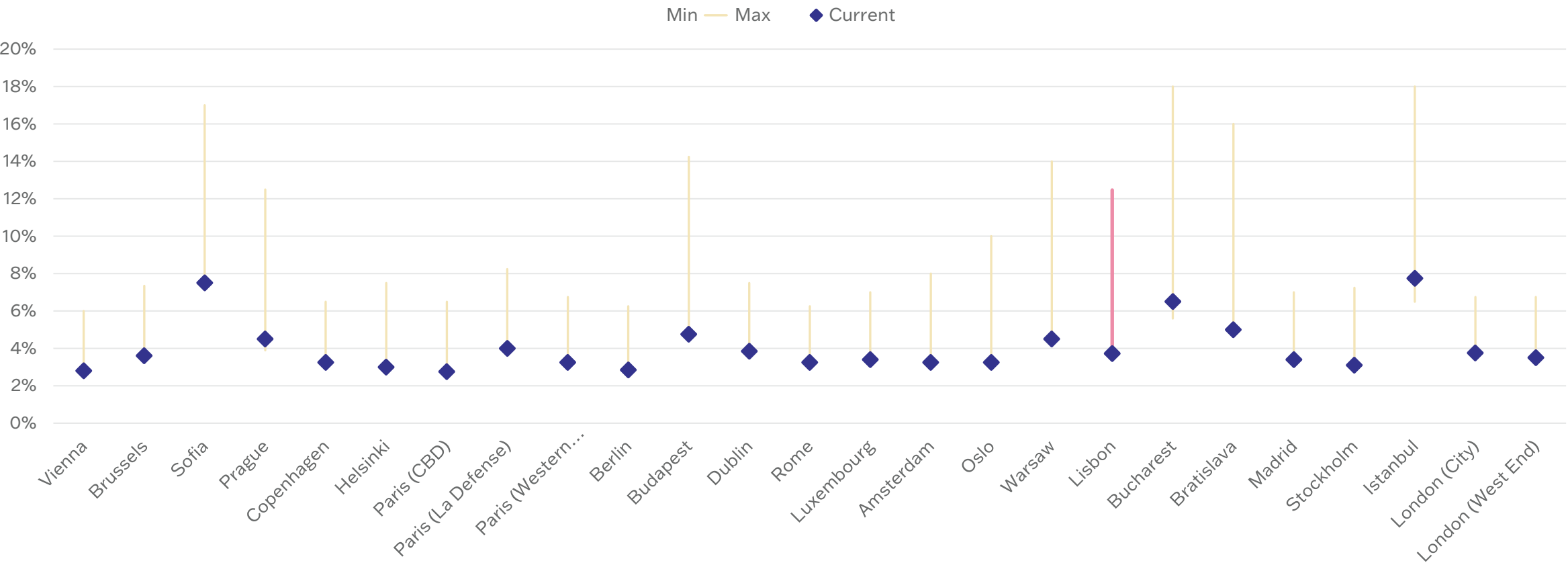
Source: Cushman & Wakefield Research
Growth from 2019 Q4 to 2022 Q2

OFFICE

European Prime Office Yields

Office prime yields still at all-time lows in most markets, Q2 2022

European Prime Office Yields



Source: Cushman & Wakefield Research
Min and max from 1992 Q4 (or first datapoint available) to 2022 Q2



Offices Portugal

Conclusions



Occupier and investor markets currently still active



Lack of new, quality supply will result in gradual rental increases



Lisbon and Porto still very attractive – low rents, quality of life, availability of staff, etc.



Little stock to buy – but increased interest rates and global turmoil will soften yields in short term



Pent-up demand in market, driven by BPO's and shared service centres – almost doubling # of jobs created 2018-2022





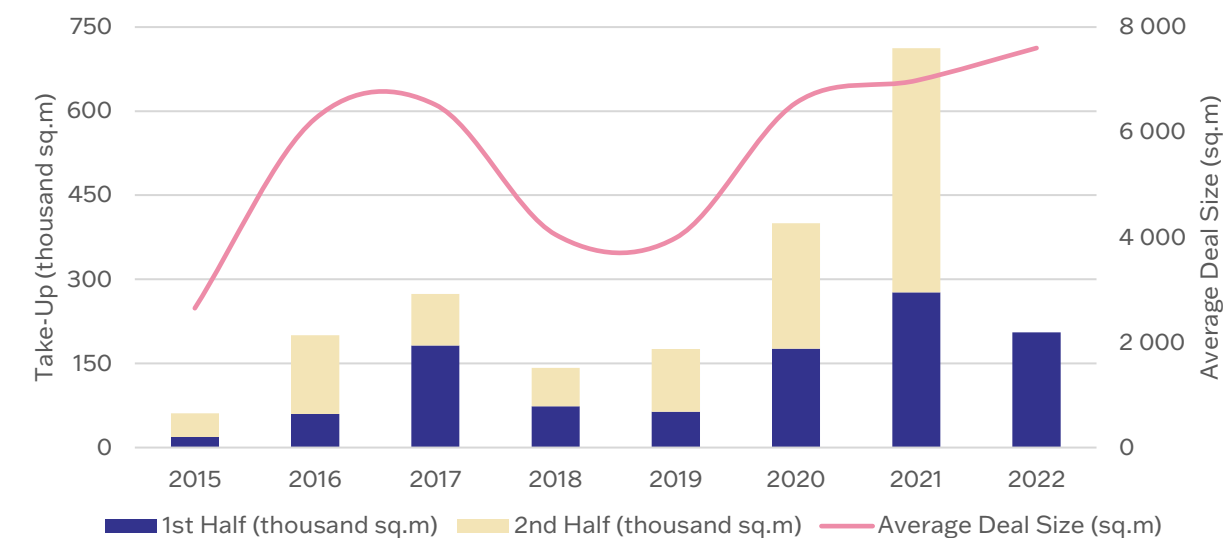
Industrial & Logistics Portugal

Demand & Rents

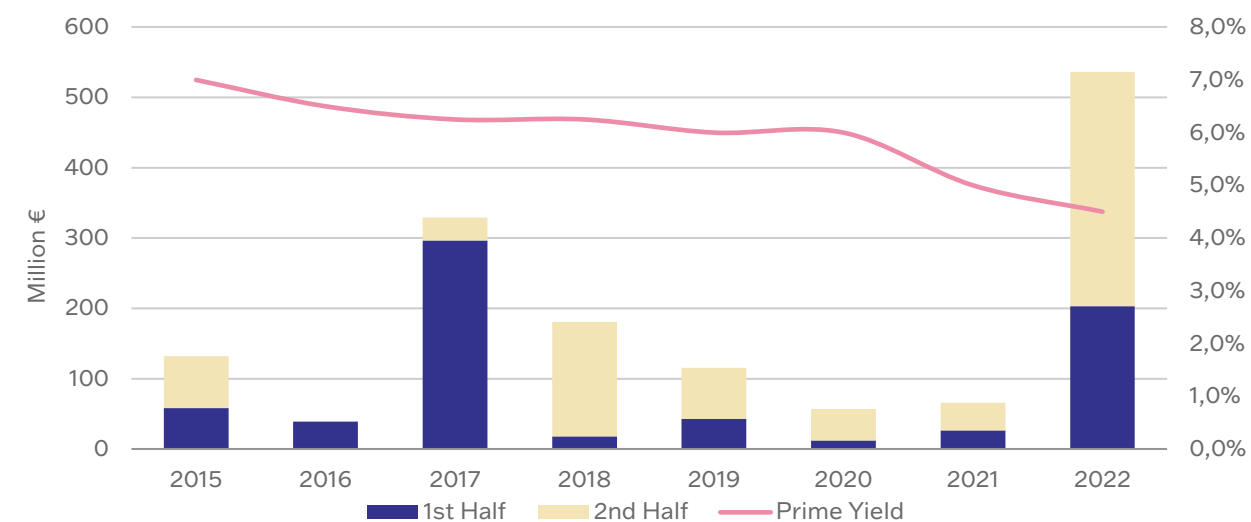
- + Take-up doubled from 2019 to 2020, and again from 2020 to 2021
- + Prime rent: €4.2/sqm/mth (Lisbon); €4.1/sqm/mth (Porto)
- + Latent demand and improved quality of new supply justify rental growth
- + Urban logistics and self-storage seeing increased demand
- + Data centres still at an early stage of development



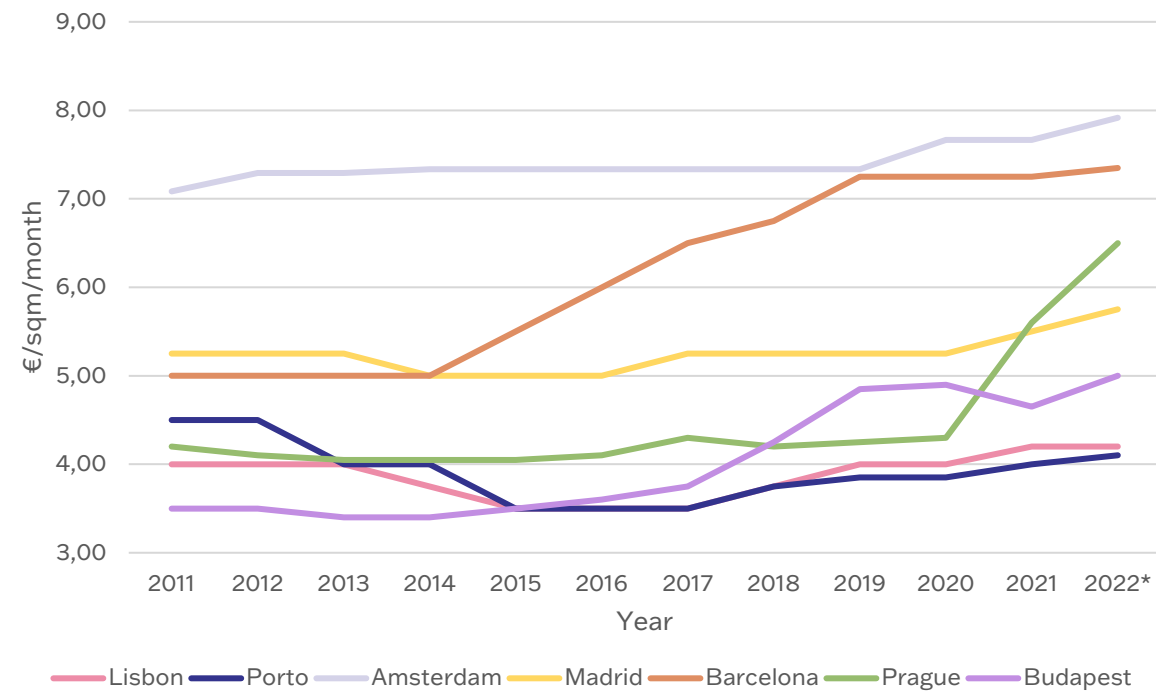
Industrial & Logistics Take-Up and Average Deal Size



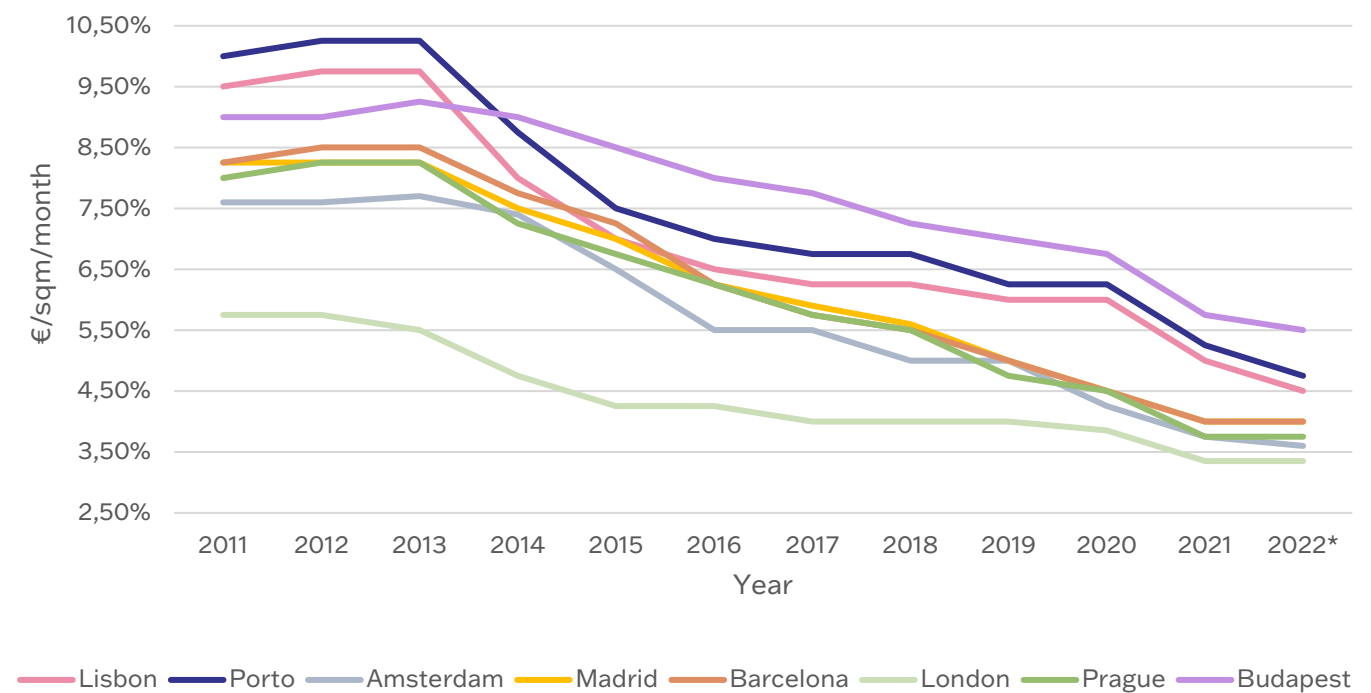
Industrial & Logistics Investment Volumes & Yields



Prime Logistics Rent



Prime Logistics Yields



Source: Cushman & Wakefield Research



Shortage of supply has been limiting occupational and investment markets but increasing number of high-quality projects now creating more opportunities for rental growth and yield compression.



Logistics Portugal

Conclusions



Occupational activity fueled by the growth of e-commerce and near-shoring trend



Tenants have a clear preference for professionally developed, new facilities



Very little development of new assets between 2010 and 2018



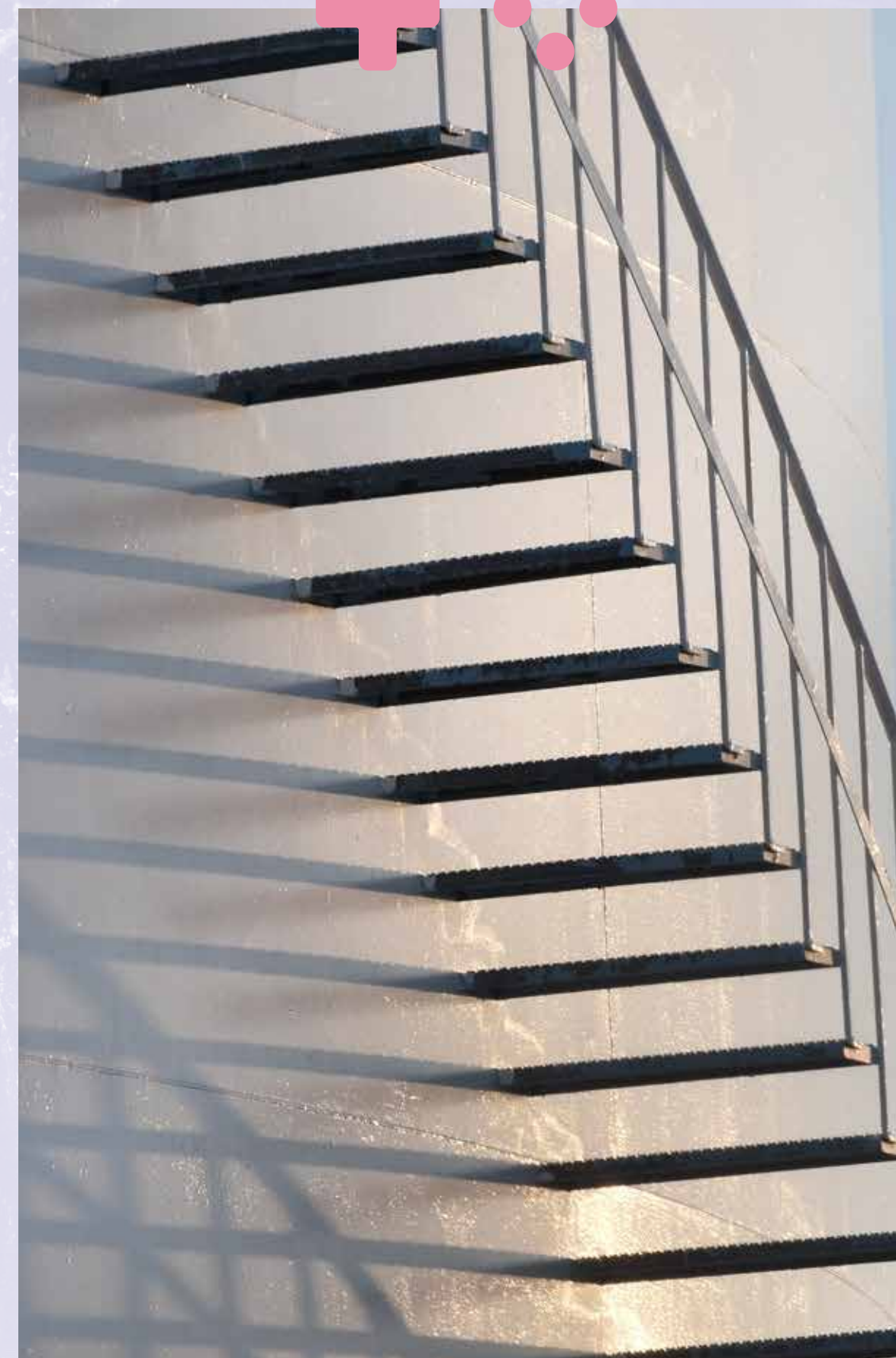
Most of the vacancy in older buildings in secondary locations



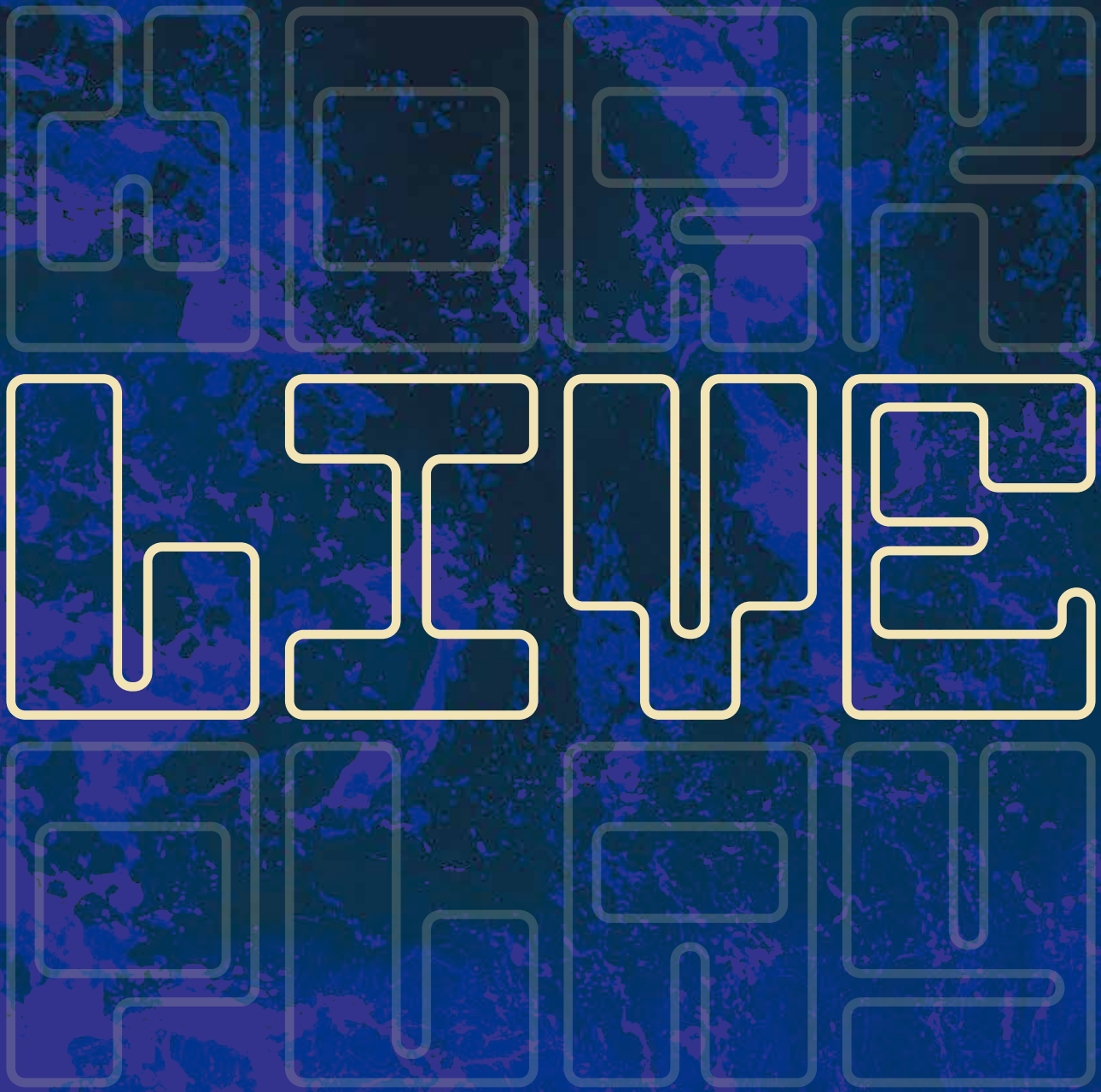
Average quality of the existing stock generally low

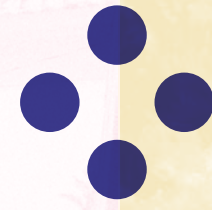


State-of-the-art assets will lease well and command higher rents



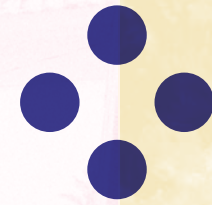
Paulo Silva





**We are increasingly aware
of what we want and what
we value and prioritize.**





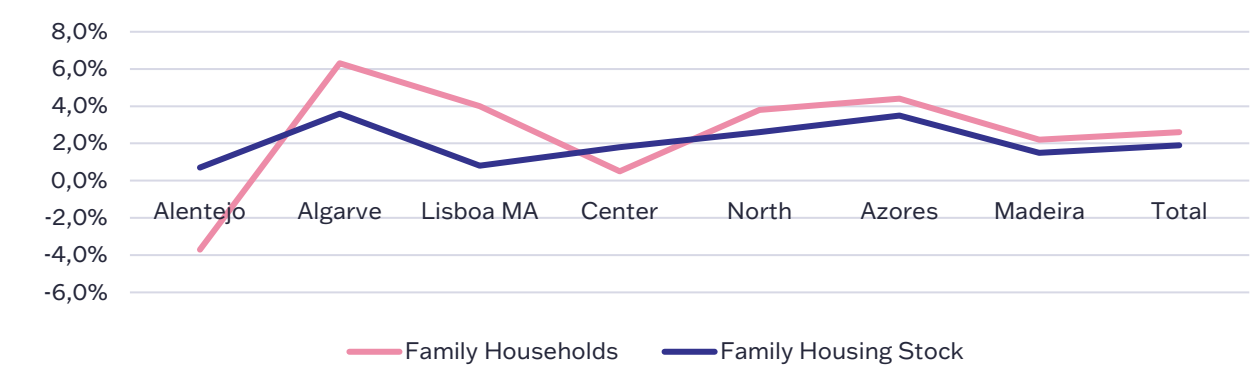
**We are increasingly aware
of what we want and what
we value and prioritize.**

**The residential market must
respond to the new buyer profiles,
more *demanding*, *innovative* and
creative in their choices.**

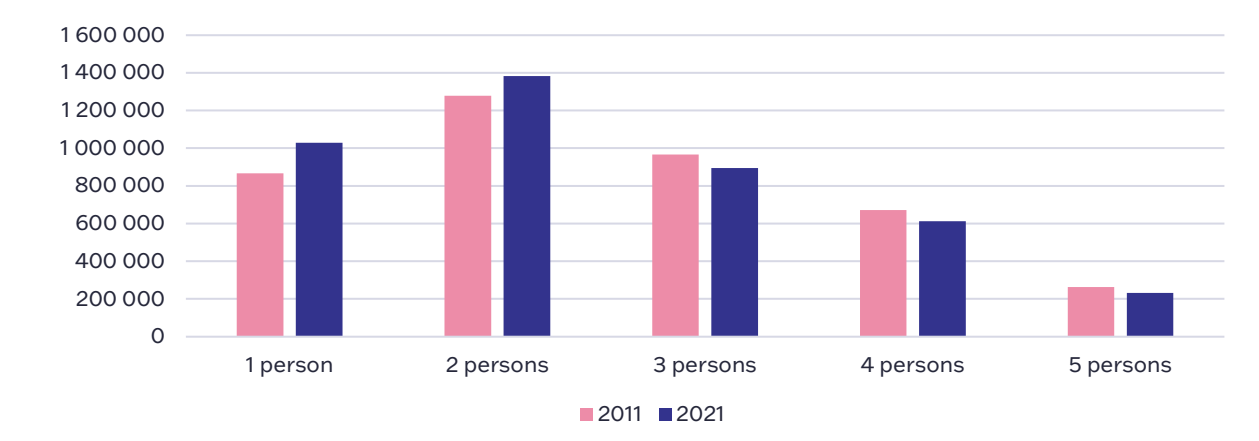


- Family housing stock 2011 and 2021 + 1.9% vs + 12% 2001 and 2011
- The evolution of the stock of family buildings is not keeping pace with the evolution of households
- Classic households are changing: More single households and the average size of private households has decreased in the last 10 years

Evolution of family buildings vs family households



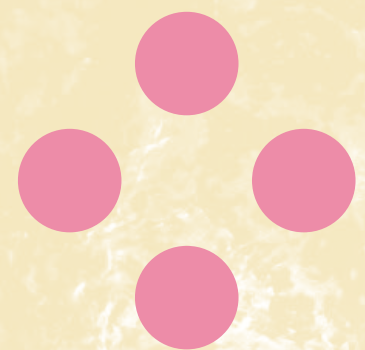
Evolution of household composition in Portugal



WUPE



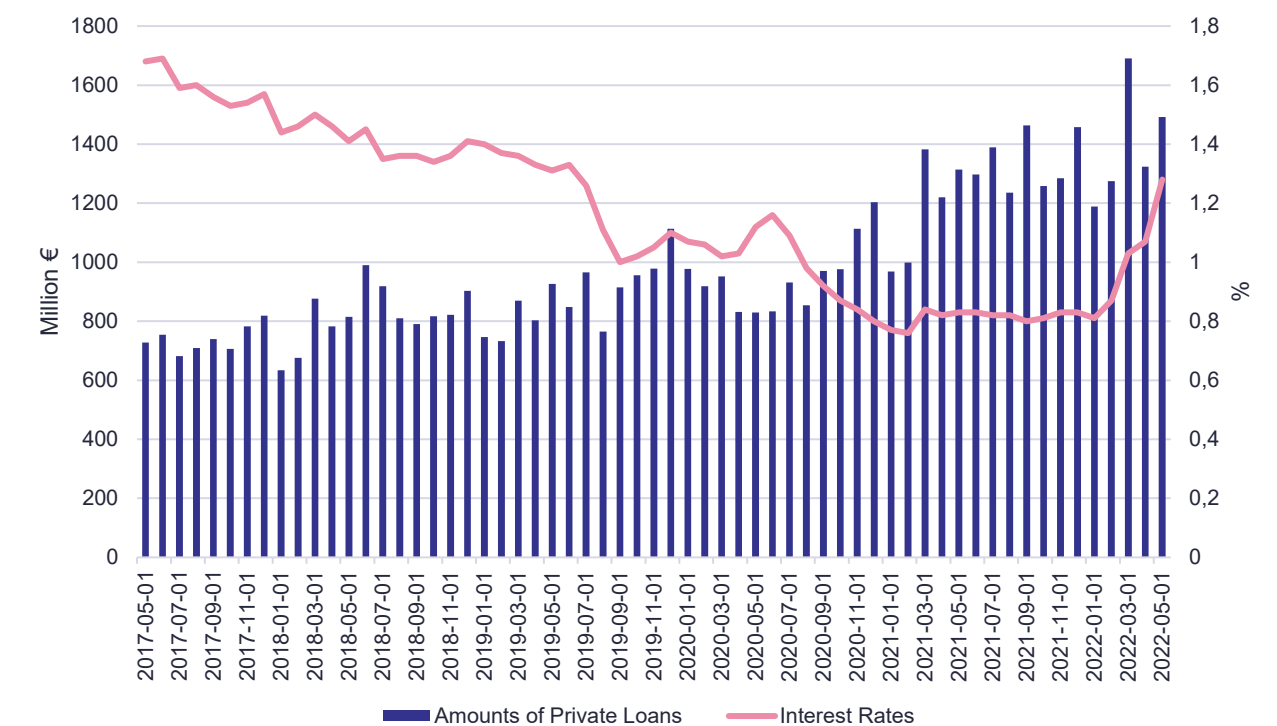
- Historically low interest rates and easier access to bank credit have boosted home buying in the last years
- Also favoring the homeowner culture
- 77% of the Portuguese are homeowners, above the European average of 70%.



0,83
dez 2021

1,26
mai 2022

Housing Private Loans vs Interest Rates



WIDE

But the perfect storm is here

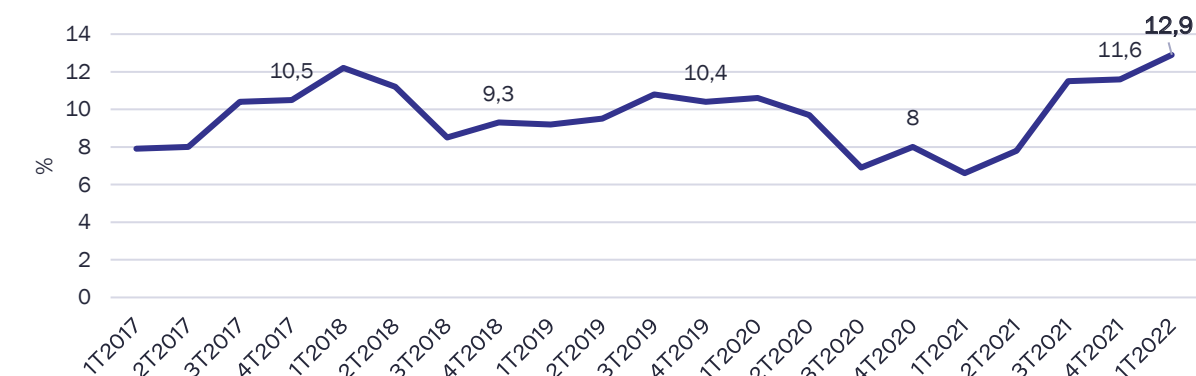
Family incomes can't keep pace with rising residential supply prices and rising inflation

Stress rates under pressure

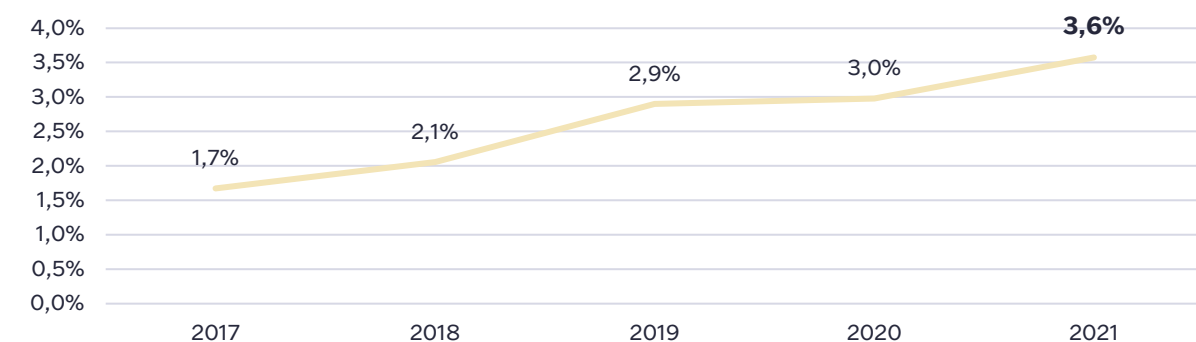
According to the OECD, the Portuguese need 11.4 years of average disposable income to buy a 100 sqm house

Increase in social and economic inequalities

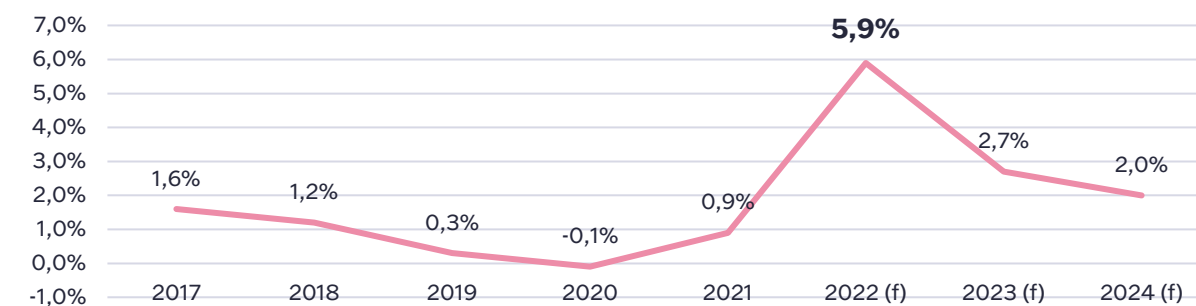
Year-on-year change | House prices



Year-on-year change | Average monthly gross remuneration per worker



Inflation rate



Facing challenges

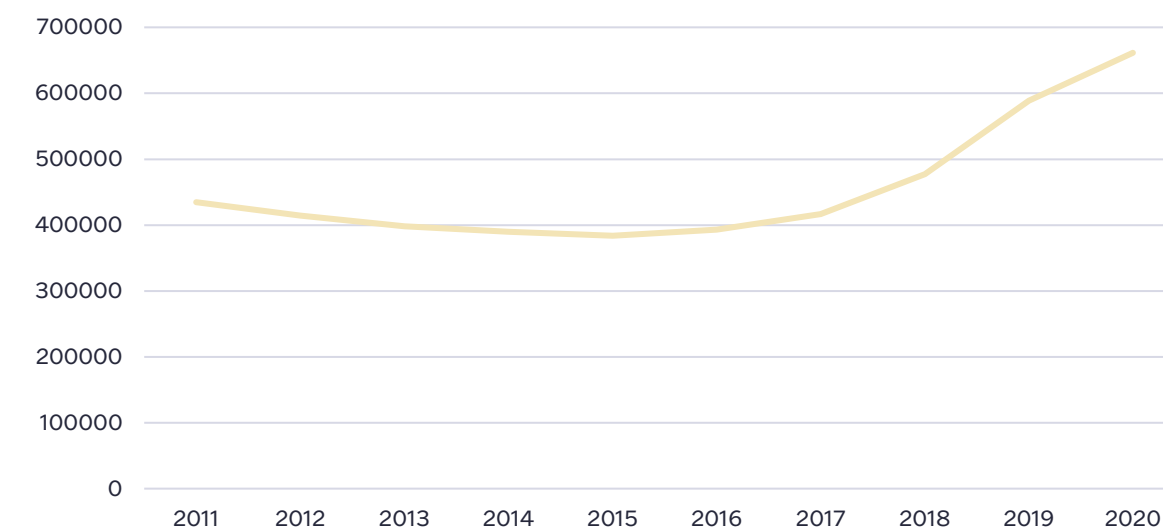
Increase in the sale price of houses motivated by the growing demand of the international market, especially for the high-end market. According to INE foreign population in Portugal has increased more than 50% in the last 10 years

New promotion aimed at the High-End market

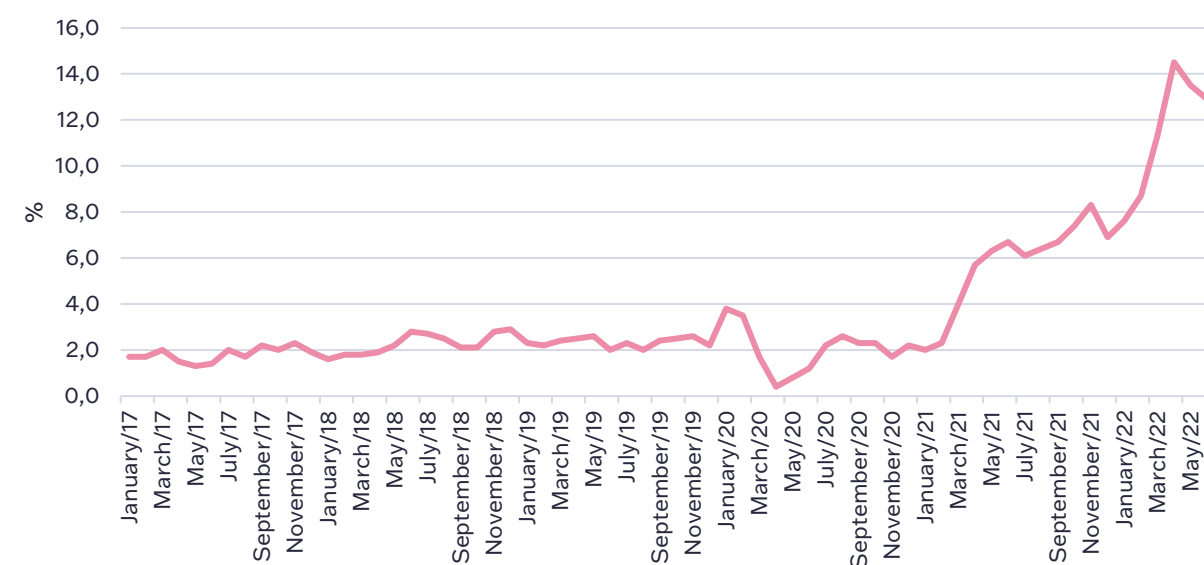
Shortage of homes for the medium, medium-low market

Continued increase in construction costs putting pressure on final sales prices

Evolution of foreign resident population in Portugal



Year-on-year change | Cost Construction





While we face a decalage between the available supply and buyers' profiles, there is a growing focus on new living sectors due to new demographic and social trends.





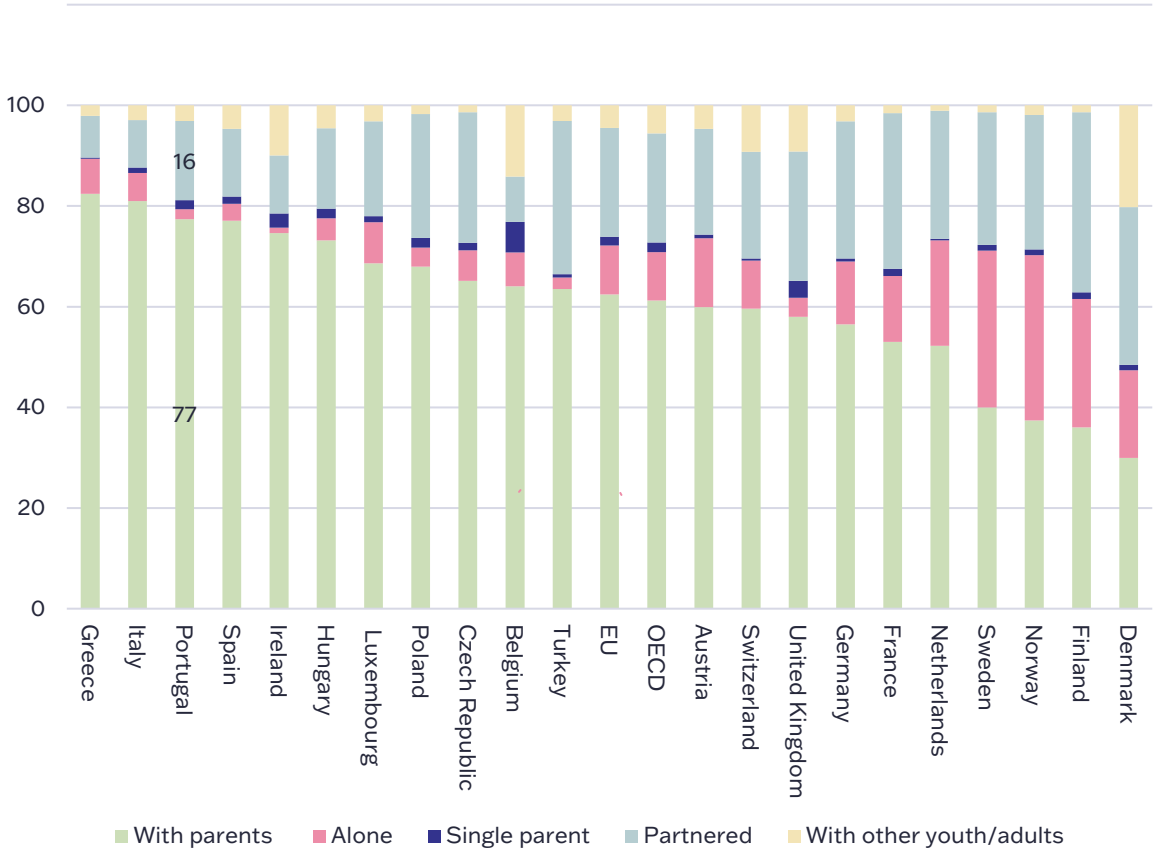
While we face a decalage between the available supply and buyers' profiles, there is a growing focus on new living sectors due to new demographic and social trends.

- + Built to rent**
- + Student housing**
- + Senior Living**

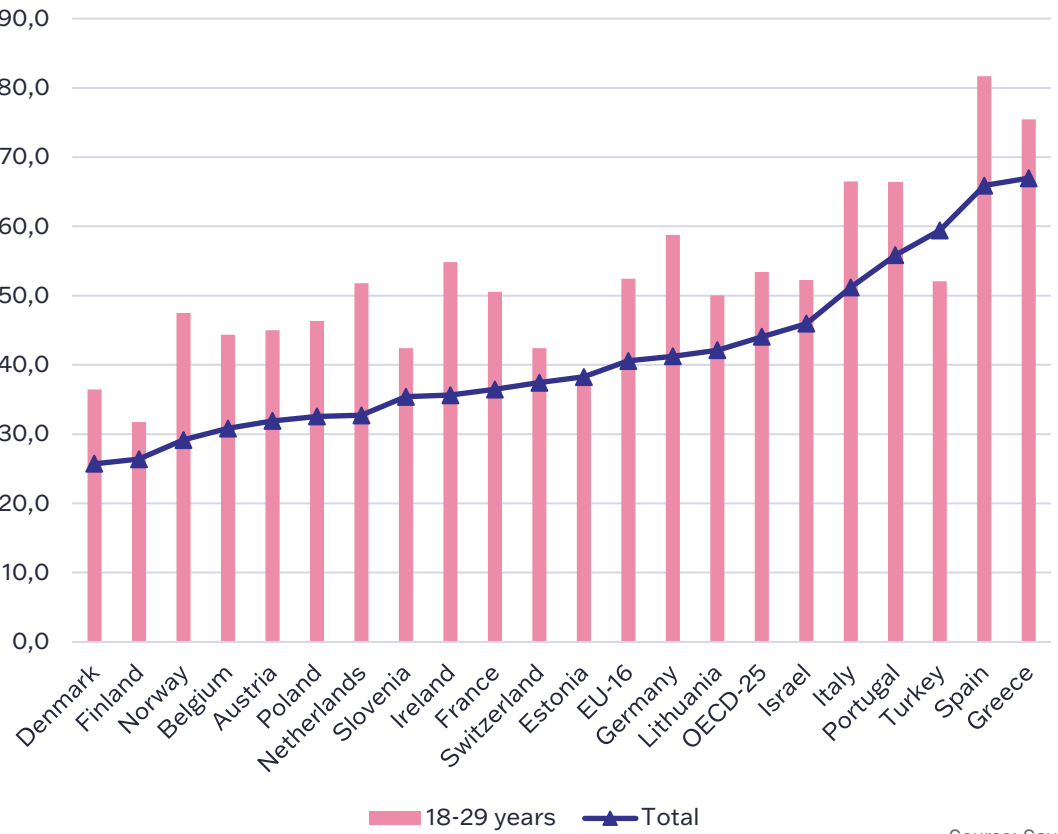
WIRE

+ Built to rent: Not a trend, but a *need*, specially for young people

Distribution of young people (15- to 29-year-olds) by household type



Percent of respondents reporting being either "somewhat concerned" or "very concerned" by not being able to find/maintain adequate housing, by age group, 2020

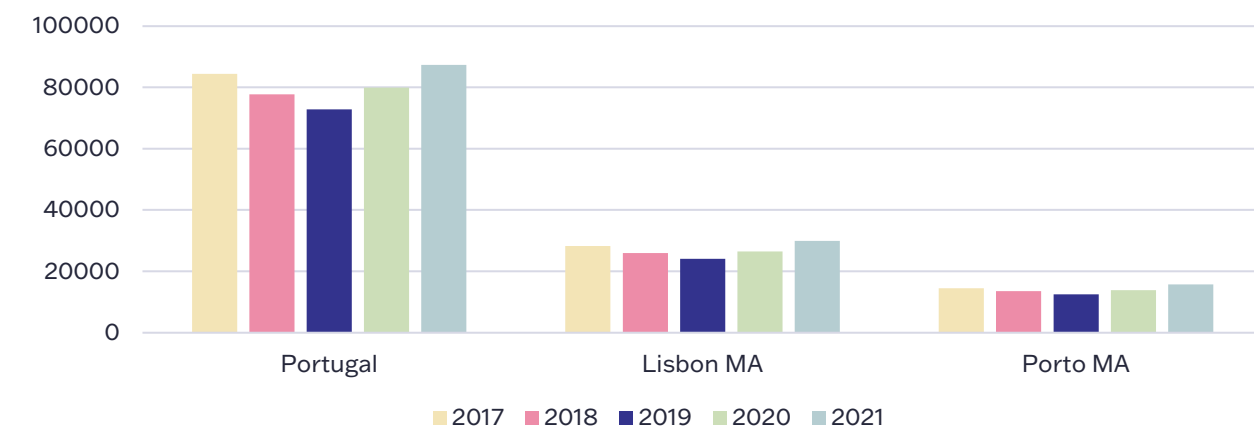


Source: Savills analysing OECD

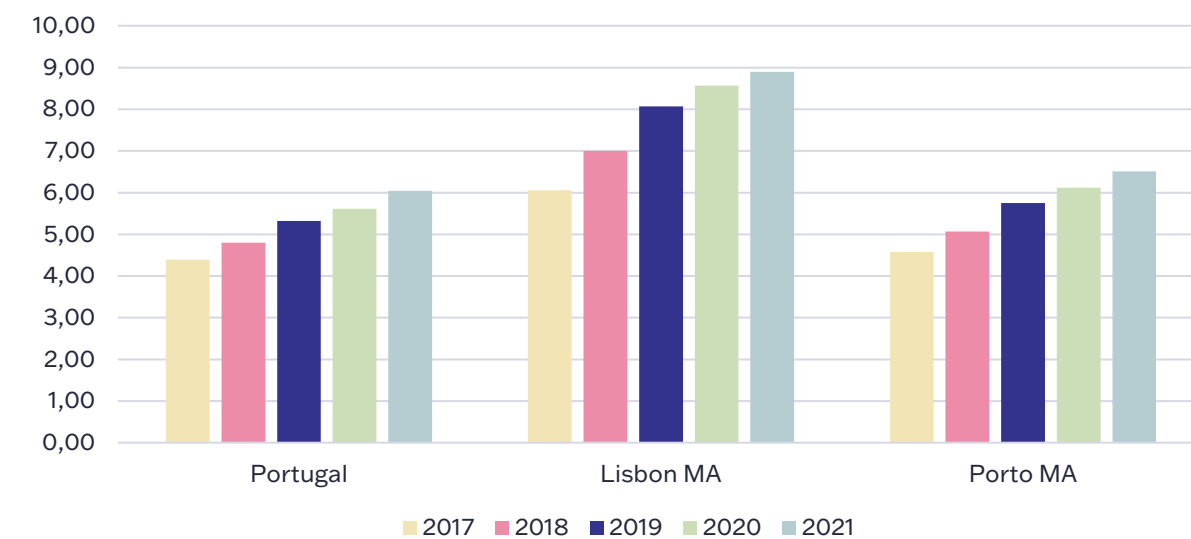
Wipe

- + Rental market has a 23% share in the residential market
- + New factors are shifting the demand gradually towards the rental market
 - + Young people and middle – lower income families unable to access housing credit
 - + Growing number of international workers and students
 - + Millennials and future generations with different system of values, reflected in their lifestyle choices

Evolution of new lease agreements of dwellings



Median house rental value per sqm of new lease agreements of dwellings (€)

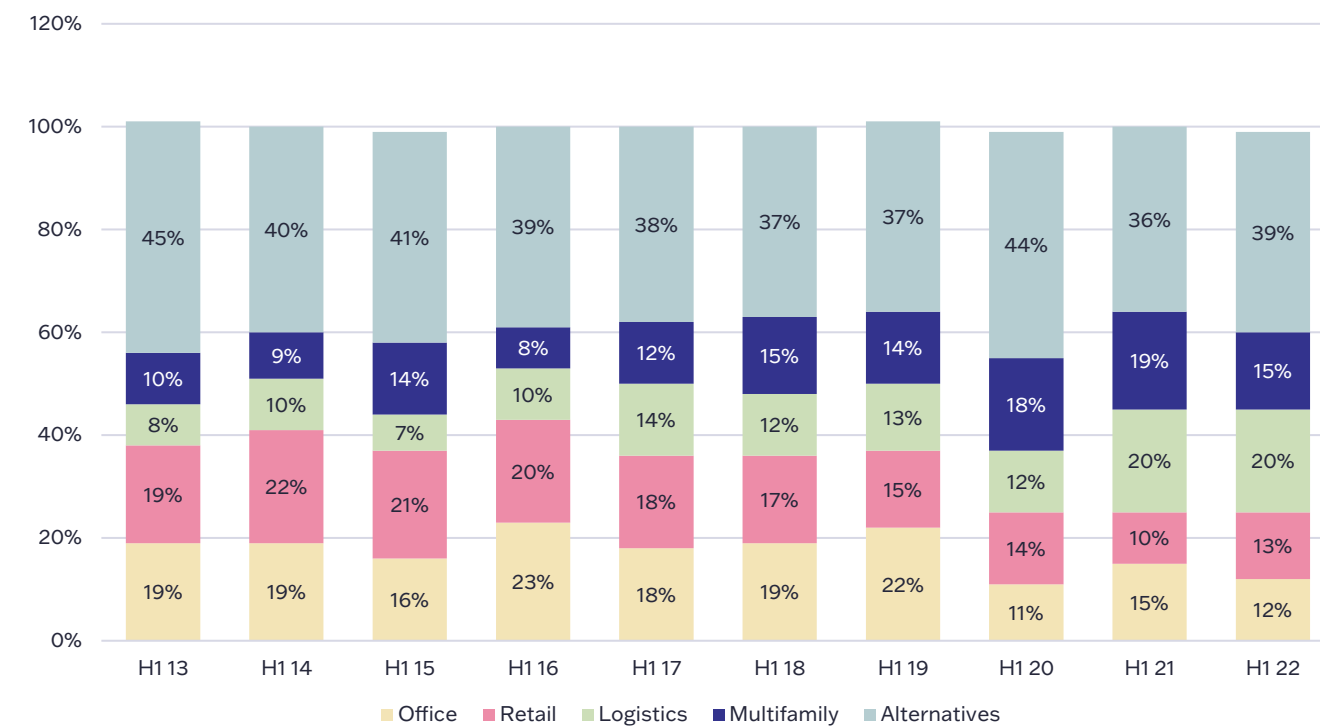


WPE

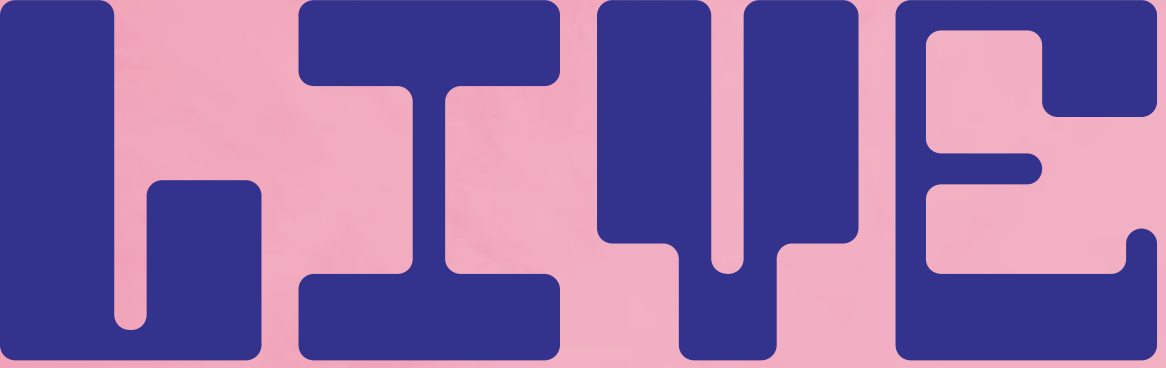
Multifamily Investment Volumes

- + Rising inflation
- + Supply chains clogged by the Ukraine and Russia war
- + Multifamily investment market: recorded a record first half of 2022, with more than 27 billion invested across the European continent
- + Investors seek higher yield opportunities outside of the more consolidated multifamily markets
- + Increased activity by institutional investors seeking to increase their exposure to the residential sector

Distribution of Investment volumes in the main european markets by segment



Source: Savills



Built to Rent

Main challenges to Built to Rent

BTS

Traditional Banking not familiar with the operational BTR model

Financing

Construction Costs

Land Costs

Legal framework

Licensing process

Lengthy (dependent on the town council)



Life

Student Housing



399,553

Students enrolled

87% Portuguese

13% International



233,667

Displaced students

students in the main
university cities students
requiring accommodation



Imbalance Supply



7,000

Beds

Private PBSA supply



5,800

Beds

Lisbon & Porto

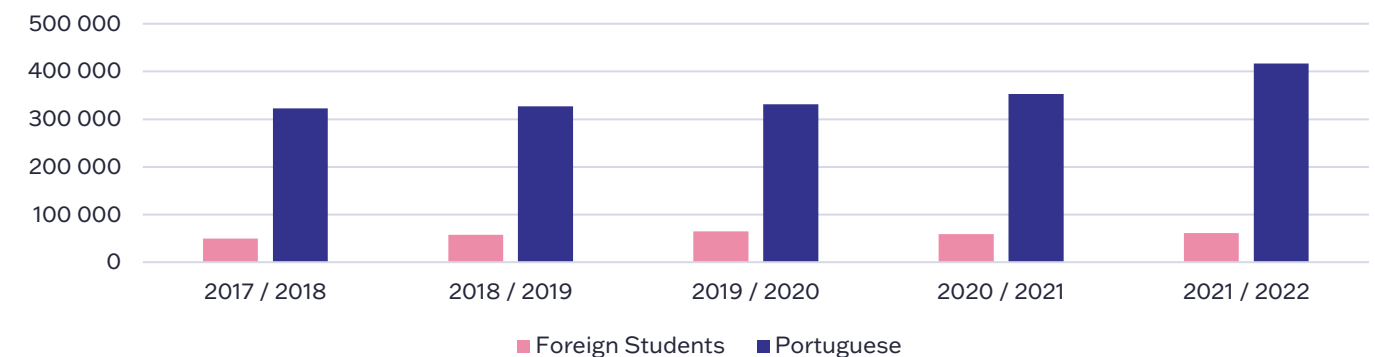


7,000

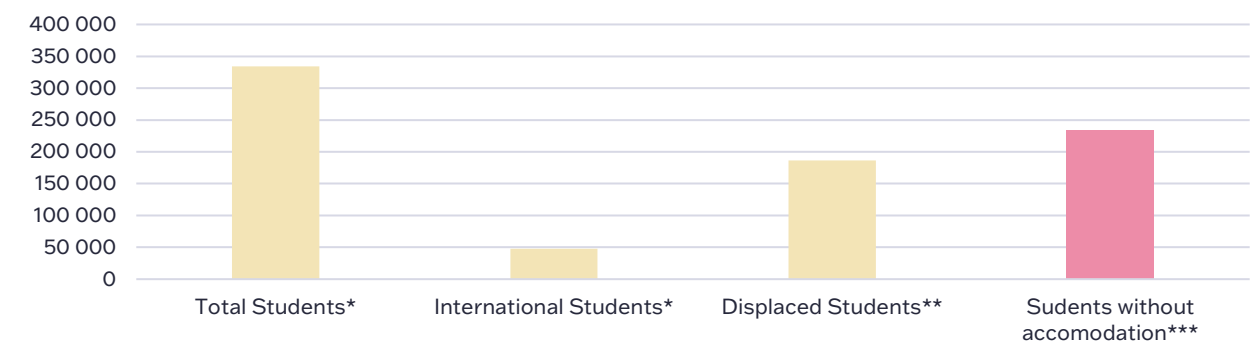
Beds in main cities

Pipeline until 2025 | PBSA private operators

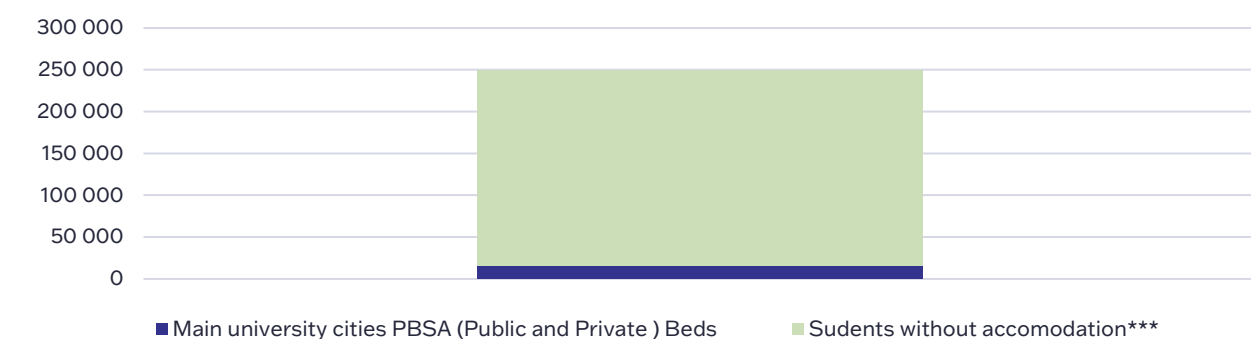
Evolution of Students Enrolled in Portuguese Universities



Student Demand 2020/2021 in the main University Cities



Main University Cities Accommodation Availability



*Students enrolled in 2020/2021 in Lisbon, Porto, Coimbra, Braga, Évora, Covilhã, Aveiro

**Total number of students attending educational establishments that are located more than 50 km away from the household's permanent residence

*** N° of students who, given the current supply on the market, do not have accommodation (displaced students plus international students)

WAVE

Senior Housing



23.4%
of the Portuguese population
People aged 65 or over



740
Private Institutions



93,000
users integrated in ERPI's



1,800
Public institutions

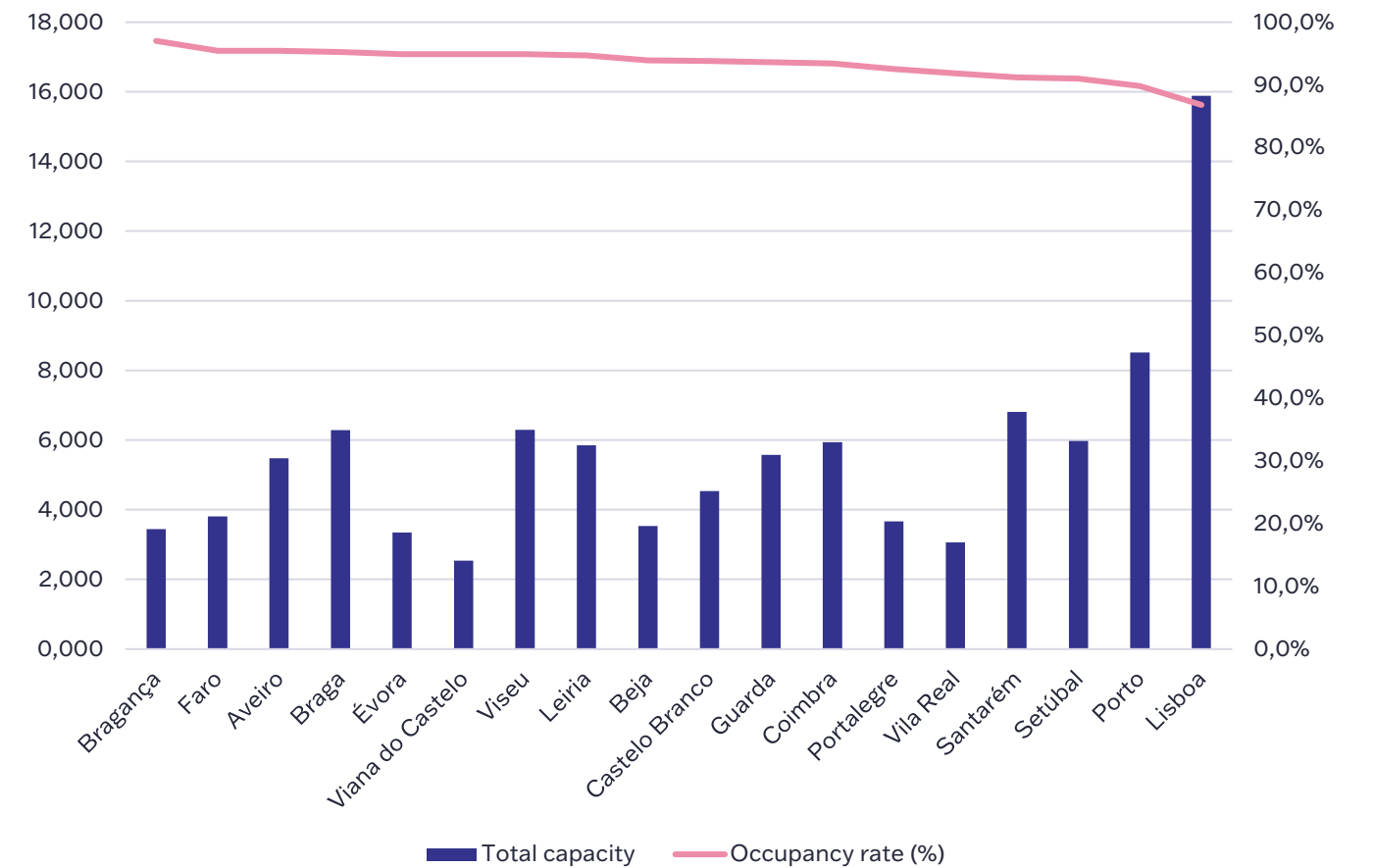


100.500
user capacity



51%
length of stay is between
>10 years and <15 years

Supply vs occupancy rate



Source: Savills Senior Living Report 2020

Market requires purpose-built schemes:
Independent living / Senior Residences:
Assisted Living & Memory Care:

Francisco Horta e Costa



CBRE

2 years of pandemic restrictions



2 years of pandemic restrictions

increased savings



A vibrant night scene of a crowd celebrating. The image is filled with a dense shower of falling money and confetti, creating a sense of joy and abundance. The background is a deep blue, and the crowd at the bottom is illuminated by bright, colorful lights, with many people raising their hands in celebration. The overall atmosphere is one of a major event or victory.

**HAPPINESS
REVENUE**

Tourism Revenge



Tourism Revenge



**Events
Sold-out**

Tourism Revenge



Events Sold-out



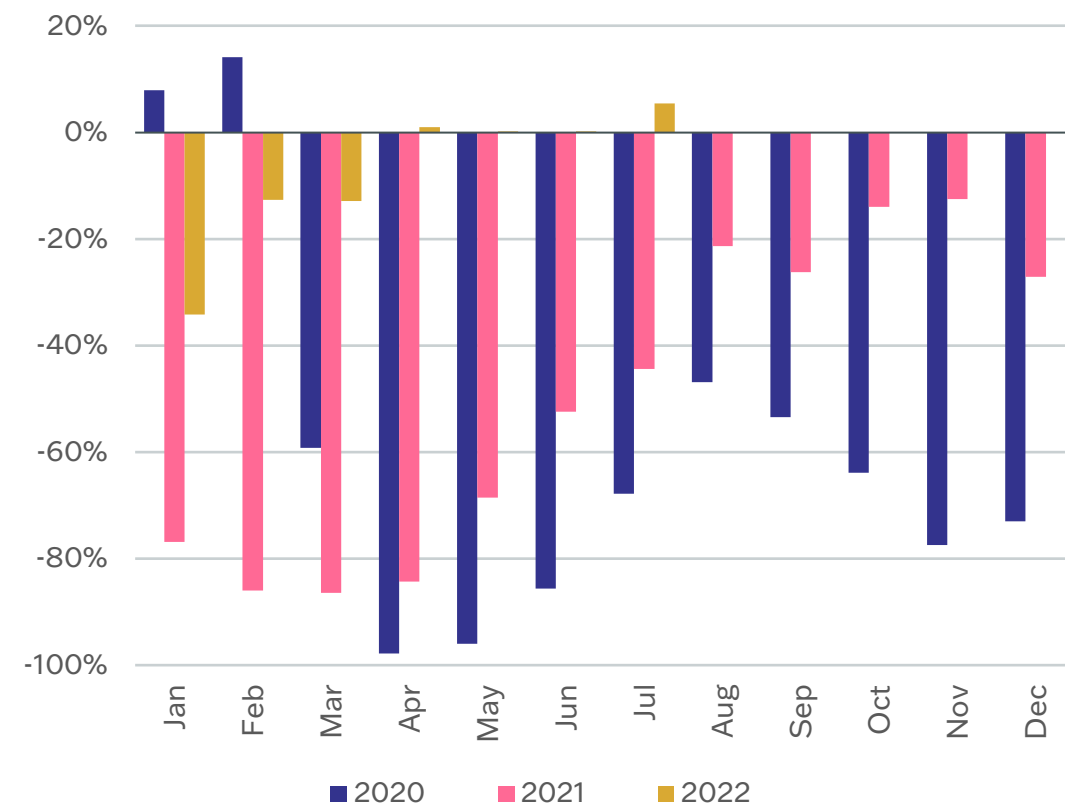
Successful Lifestyle Concepts



Hotel

The hotel pipeline continues robust as the market fundamentals remain positive.

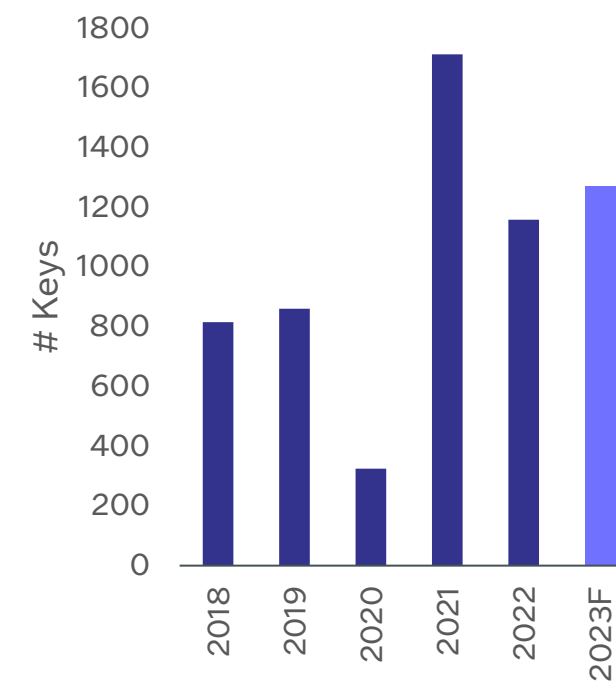
Overnight Stays variation over 2019



Average Daily Rate



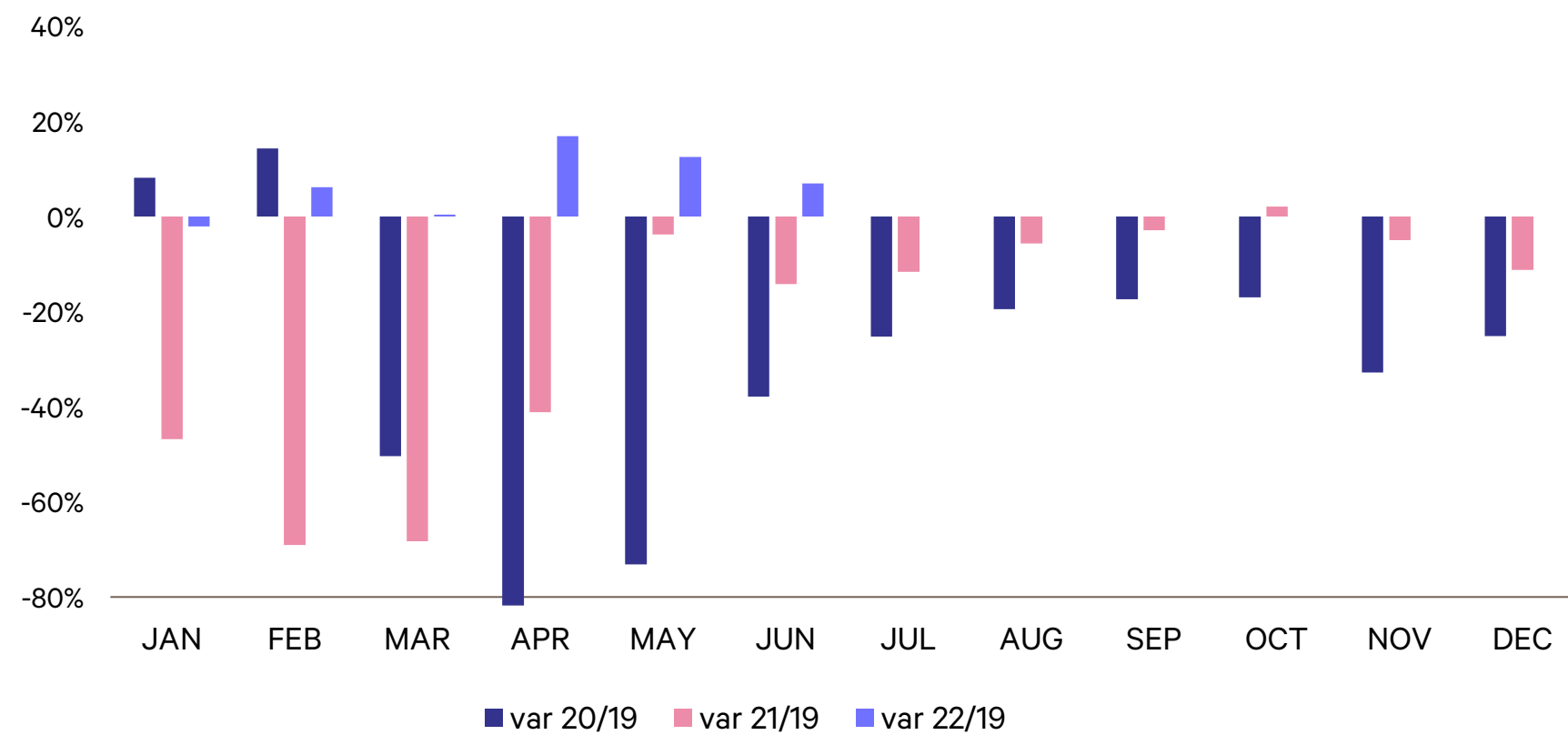
New hotel rooms - Lisbon



DETAIL

Experience was already driving the retail sector before the pandemic.

Sales in Shopping Centres managed by CBRE- variation over 2019



Source: : INE; CBRE Research



FOMO

FOMO or fo-mo [foh-moh]

noun Slang.

a feeling of anxiety or insecurity over the possibility of missing out on something, as an event or an opportunity:

If I say no to a party invitation, I get a bad case of FOMO.

OR
THE NEW
**Roaring
Twenties**



Clouds in the horizon



Clouds in the horizon

Inflation



Clouds in the horizon

Inflation

Energy costs



Clouds in the horizon



Inflation

Energy costs

Interest rates



Clouds in the horizon



Inflation

Energy costs

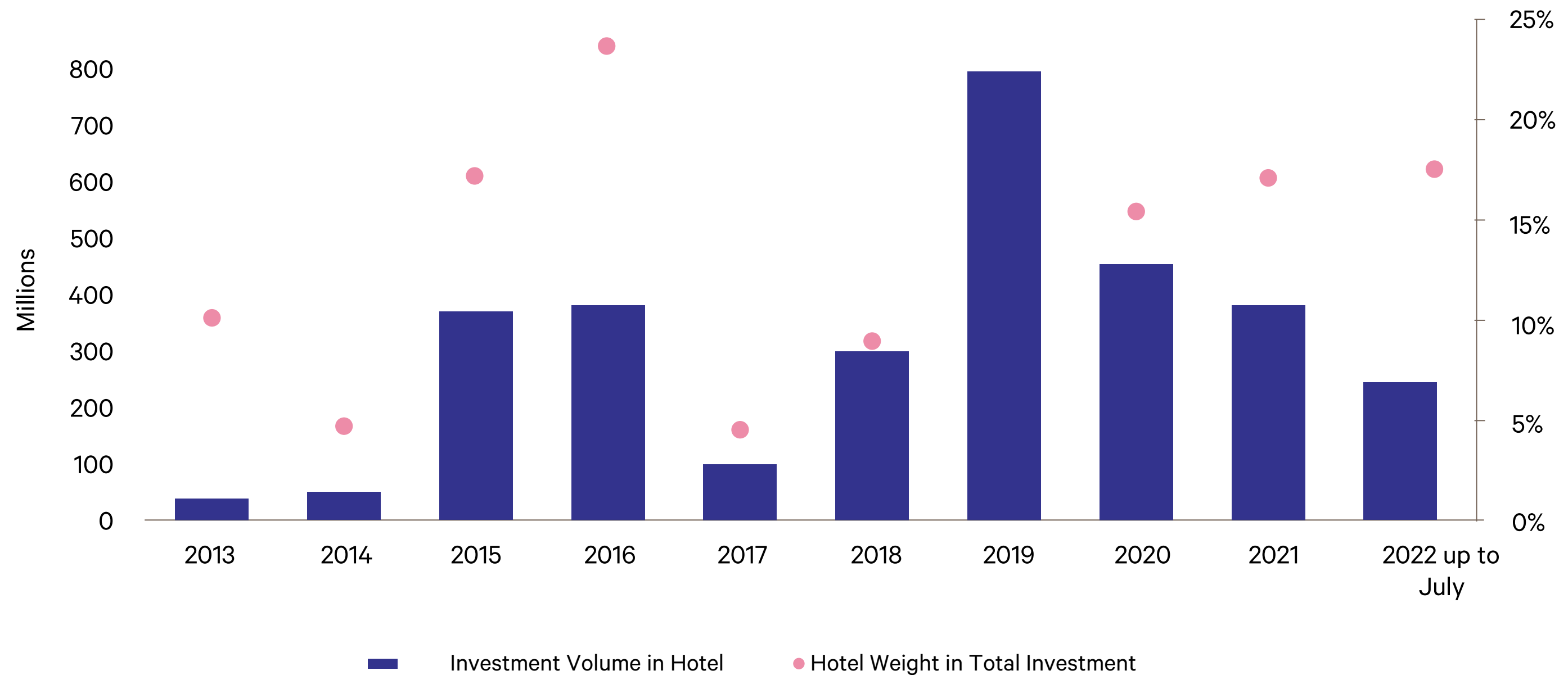
Interest rates

Recession?



WHAT ABOUT THE Investment Market?

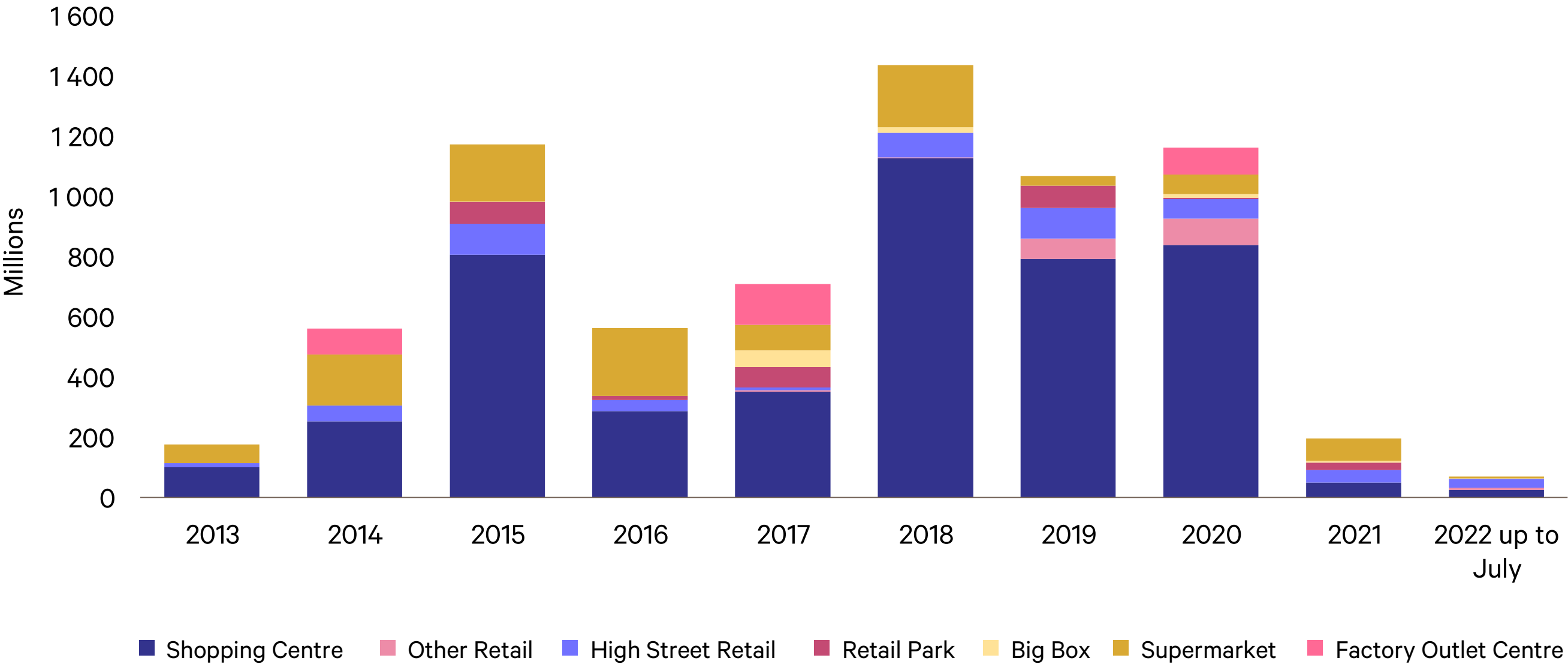
Hotel sector in Portugal proves to be a resilient Investment



Source : INE; CBRE Research



Investment volumes in retail are likely to remain dormant



Source : INE; CBRE Research



Thank you!

