COVID-19 PORTUGAL MARKET UPDATE
OFFICES

GOVERNMENT MEASURES

15 January 2021:
Stricter lockdown restrictions under the State of Emergency (currently effective until March 1st and renewable every fortnight).

15 January 2021:
More comprehensive "simplified lay-off" (furlough) mechanism and credit facilities for affected companies.

15 January 2021:
Working from home mandatory when possible and exceptions require formal permission.

22 January 2021:
Companies in the services sector with for more than 250 employees required to report a list of the workers whose physical presence is necessary.

IMPACT

Most companies once again forced to implement working from home. Given the current climate of uncertainty, most occupiers sit tight and retain a wait-and-see approach.

MARKET ACTIVITY

Apart from transactions already at an advanced stage of negotiation, most occupational deals were put on hold.
Substantial slowdown in demand, including pre-leases.
Some tenants requesting incentives, mostly rent-free periods.

DEVELOPMENT ACTIVITY

Construction works continue, though some sites have delays due to reduced manpower and delayed delivery of materials.

Permitting processes continue, albeit at a (even!) slower pace. Completion of several projects in the pipeline may be postponed.

PROPERTY MANAGEMENT

Preventive actions and social distancing signage implemented.
Tenant requests and contractor issues are being addressed.
Some landlords take the opportunity to perform necessary works.

OUR VIEW

Despite no signs of immediate impact on rental values, partly due to the current lack of quality supply, zones with higher vacancy may suffer a downward pressure on rents.

Landlords prefer to maintain headline rents and provide other types of tenant incentives.

Workplace concept is expected to change, reflecting an increase of both hotdesking (as more staff will work from home more frequently) and of common areas to accommodate teamwork, learning, and inspirational activities; the health and wellbeing of employees will be increasingly relevant.

2020 MARKET DATA (YoY growth)

	GREATER LISBON	GREATER PORTO
TAKE-UP	**137,900 sq.m (-29%)**	**53,900 sq.m (-17%)**
VACANCY RATE	**4.9% (+80 b.p.)**	**8.0% (+50 b.p.)**
COMPLETIONS	**34,100 sq.m**	**58,800 sq.m**
UNDER CONSTRUCTION	**172,200 sq.m**	**46,000 sq.m**
PRIME RENT	**€23/sq.m/ month (0%)**	**€18/sq.m/ month (0%)**

COVID-19 PORTUGAL MARKET UPDATE RETAIL

CUSHMAN & WAKEFIELD

GOVERNMENT MEASURES

31 December 2021:
Fixed (or minimum) rental payments in retail schemes reduced by the same proportion as sales (up to max. 50%) during the first quarter of 2021 (and possibly Q2 too, if extended by the Government).

31 December 2021:
Subsidized 6-month rental payment for high street tenants whose revenue drops by more than 25%, up to a max. €40,000 for a company with several units.

15 January 2021:
Stricter lockdown restrictions under the State of Emergency (currently effective until March 1st and renewable every fortnight).

15 January 2021:
More comprehensive “simplified lay-off” (furlough) mechanism and credit facilities for affected companies.

20 January 2021:
Closure of all non-essential retail activities. F&B (except those located in shopping centres) allowed to operate for take-away and home delivery (with a 20% commission cap for delivery platforms).

20 January 2021:
All other retail establishments must close at 8 pm on weekdays and at 1 pm in weekends (or 5 pm for food retail and F&B.

1 February 2021:
Parliament votes to clarify retroactivity of suspension of fixed rental payments in shopping centres to the start of the pandemic, 13 March 2020 (as opposed to the date of approval of the law, 25 July 2020).

IMPACT

- Suspension of fixed rents in shopping centres and moratorium on rents ended in September 20 and December 20 respectively, with the latter being clawed back over a 24-months’ period from January 21.
- Portuguese Association of Shopping Centres is claiming that law allowing suspension of fixed rent payment is unconstitutional. Tensions between retailers and owners/managers are mounting.
- Significant impact on tourism-dependent sectors, convenience and neighbourhood retail show more resilience.
- Online retail continues to thrive, with double digit increases across sectors.

MARKET ACTIVITY

- Substantial slowdown in demand, with retailers postponing any expansion plans they might have had.
- White & brown goods, home furnishings, DIY, health and food sectors showing strong performance and with selective expansion plans.

PROPERTY MANAGEMENT

- Bilateral discussions of rental discounts by 2020 year-end were overtaken by the recent bill for retail schemes.
- Managers are pushing to collect rents and moratorium instalments, while taking the opportunity to undertake larger maintenance works.

OUR VIEW

- The effects of the pandemic are likely to extend at least until the summer – assuming it is then controlled, we expect substantially increasing spending patterns.
- Employment levels, consumer confidence and tourism flows will be the key variables to monitor.
- Several businesses struggling with cash shortage will not survive without restructuring – room for consolidation and “survival of the fittest”.

PORTUGAL 2020 MARKET DATA (YoY growth)

GLOBAL RETAIL SALES INDEX[1]

114
(-2.9%)

RETAIL SCHEMES

50,700 sq.m
COMPLETIONS

41,200 sq-m
FUTURE SUPLY
(next 3 years)

NEW LEASES[2]

430
(-50%)

PRIME RENT

HIGH STREET RETAIL

€125/sq.m/month
(-4%) LISBON

€72.5/sq.m/month
(-3%) PORTO

SHOPPING CENTRES

€102.5/sq.m/month
(-2%)

RETAIL PARKS

€11/sq.m/month
(+5%)

(1) Base 2015 = 100
(2) Non-random C&W sample based on public sources and targeted research

COVID-19 PORTUGAL MARKET UPDATE
INDUSTRIAL

CUSHMAN & WAKEFIELD

GOVERNMENT MEASURES

15 January 2021:
Stricter lockdown restrictions under the State of Emergency (currently effective until March 1st and renewable every fortnight).

15 January 2021:
More comprehensive "simplified lay-off" (furlough) mechanism and credit facilities for affected companies.

31 January 2021:
Closure of Portuguese land borders to passenger traffic (transport of goods and workers allowed).

IMPACT

Following the growth of online sales, logistics operators and retailers readjusted their operations accordingly.

Higher increasing demand for urban logistics/last mile units, against backdrop of very limited supply, forcing operators to consider conversion of older properties or brown field sites for development.

MARKET ACTIVITY

Some landlords are taking advantage of the momentum to refurbish facilities in order to meet current demand requirements.

Imbalance between available supply and higher demand (mainly for units of between 2,000 and 5,000 sq.m), supports current rents.

DEVELOPMENT ACTIVITY

Lack of quality buildings with modern specifications is driving developers towards new developments and speculative construction.

Sites in good locations (near urban centres and close to highway access) are being picked up by large developers or owner occupiers.

OUR VIEW

The sector's resilience should continue to attract investment, with the shortage of quality assets in the country's main logistic axes, representing an opportunity for developers.

Growth of e-commerce will result in higher demand for urban logistics, potentially bringing new players into the market.

Technology, transports, postal services, F&B, food and healthcare companies, will remain among the most active occupiers.

PORTUGAL 2020 MARKET DATA (YoY growth)

TAKE-UP

339,900 sq.m
(+111%)

MAIN COMPLETIONS

48,000 sq.m
LIDL
(Santo Tirso)

29,000 sq.m
SONAE MC
(Azambuja)

MAIN UNDER CONSTRUCTION

45,000 sq.m
LISBON NORTH LOGISTICS PLATFORM'S FIRST WAREHOUSE

PRIME RENT

€4/sq.m/ month (0%)
LISBON

€3.85/sq.m/ month (0%)
PORTO

COVID-19 PORTUGAL MARKET UPDATE HOSPITALITY

CUSHMAN & WAKEFIELD

GOVERNMENT MEASURES

14 March 2020:
Ban on disembarking of cruise ships.

31 December 2021:
Subsidized 6-month rental payment for tenants whose revenue drops by more than 25%, up to a max. €40,000 for a company with several units.

15 January 2021:
Stricter lockdown restrictions under the State of Emergency (currently effective until March 1st and renewable every fortnight).

15 January 2021:
More comprehensive "simplified lay-off" (furlough) mechanism and credit facilities for affected companies.

22 January 2021:
Suspension of flights to and from Brazil and the UK.

31 January 2021:
Closure of land borders to passenger traffic. Portuguese citizens prohibited to travel outside the continental territory (except for essential travel). Flights to Portugal mostly restricted to EU and Schengen associated countries, with mandatory COVID-19 tests and prophylactic isolation depending on each countries' incidence rate.

DEVELOPMENT ACTIVITY

New developments have been put on hold, except for those centrally located and/or with construction permits already issued.

IMPACT

Despite the efforts of national authorities and sector players to adjust and adapt hotels and services provided to the current circumstances, tourism has been deeply affected.

International demand represents c.a. 2/3 of all touristic activity, and with borders closed and severe restrictions on circulation, any prospects for a rebound on Q3 and Q4 2020 were simply drained.

Nevertheless, Summer 2020 was moderately positive, with internal demand driving the performance, and some inland and rural destinations even experiencing y.o.y. growth.

MARKET ACTIVITY

Early 2020 registered the second largest hotel transactions ever, the sale of Grupo Hotéis Real, but since the pandemic outbreak investment activity has been very subdued.

Buyers continue keen to invest in the sector but are waiting for distressed opportunities which have not manifested themselves yet, thanks to government support.

Asset manager ECS is marketing a large portfolio of hotels and tourist development sites (GAV of €1.4bn) and interest is high.

OUR VIEW

The general perception that tourism fundamentals have not changed remains true, and the market will rebounce eventually, especially taking into consideration the vaccination plan already in place.

However, Europe is being severely hit by the 3rd wave, and recovery will take longer than expected.

Hotel operators are nevertheless convinced that Summer 2021 will exceed 2020 but still only represent 50-60% of 2019.

PORTUGAL 2020 MARKET DATA (YoY growth)

OVERNIGHT STAYS

20.6 million
(-64%)

GUESTS

8.0 million
(-63%)

TOTAL INCOME

1,235 million
(-67%)

REvPAR

€24.5
(-56%)

OPENINGS

47 hotels

FUTURE SUPLY (next 3 years)

190 hotels

COVID-19 PORTUGAL MARKET UPDATE RESIDENTIAL

(In collaboration with Porta da Frente, Christie's representative in Portugal)

PORTA DA FRENTE

CUSHMAN & WAKEFIELD

GOVERNMENT MEASURES

27 March 2020:
Moratorium (upon borrower's request) on bank loan repayments for affected families (mortgages) and companies (extended until 30th September 2021).

6 April 2020:
Moratorium (upon request) on residential leases for affected families (extended until 30th June 2021).

15 January 2021:
Stricter lockdown restrictions under the State of Emergency (currently effective until March 1st and renewable every fortnight).

15 January 2021:
Working from home mandatory when possible and exceptions require formal permission.

22 January 2021:
Suspension of flights to and from Brazil and the UK.

31 January 2021:
Closure of land borders to passenger traffic. Flights to Portugal mostly restricted to EU and Schengen associated countries, with mandatory COVID-19 tests and prophylactic isolation depending on country's infection rate.

RESIDENTIAL FOR SALE

Despite the slowdown in demand, particularly during the lockdown period, overall volume of transactions was less affected than initially forecasted.

Local buyers partially offset the decrease of foreign demand, which is expected to pick up once travel restrictions are lifted.

The price correction trend that started in 2019 was accelerated by the current crisis, particularly where asking process were over ambitious.

There is increasing interest in larger units, with private outdoor space and in areas further away from the urban centres.

Demand for new developments is mostly focused on projects already under construction, which are currently facing some minor delays.

RESIDENTIAL FOR LEASE

Noticeable increase in supply, with many dwellings previously on the short-term rental market (targeted at tourists) now being offered for longer-term leases.

This increase in supply has contributed to price corrections, mainly in the lower and middle market segments.

OUR VIEW

Although the current crisis will continue to impact residential demand in the coming months, no major price correction is expected as the market fundamentals (supply / demand imbalance) are still valid, most developers are well capitalized and the moratorium on mortgage repayments were extended until September 2021.

When compared with other investment alternatives, the safety and returns offered by the residential sector continue to be attractive, and Portuguese residential prices remain competitive compared with other European capitals.

2020 MARKET DATA (YoY growth)

LISBON

SALE (apartments)

OVERALL	NEW
€3,670/sq.m (-3%)	€5,780/sq.m (-3%)

LEASE (apartments)

OVERALL	NEW
€13.1/sq.m/month (-4%)	€16.5/sq.m/month (-10%)

PORTO

SALE (apartments)

OVERALL	NEW
€2,180/sq.m (-6%)	€3,080/sq.m (-15%)

LEASE (apartments)

OVERALL	NEW
€10.2/sq.m/month (+2%)	€12.6/sq.m/month (-10%)

COVID-19 PORTUGAL MARKET UPDATE
INVESTMENT

CUSHMAN & WAKEFIELD

GOVERNMENT MEASURES

15 January 2021:
Stricter lockdown restrictions under the State of Emergency (currently effective until March 1st and renewable every fortnight).

15 January 2021:
More comprehensive "simplified lay-off" (furlough) mechanism and credit facilities for affected companies.

15 January 2021:
Working from home mandatory when possible and exceptions require formal permission.

20 January 2021:
Closure of all non-essential retail activities.

31 January 2021:
Closure of Portuguese land borders to passenger traffic (transport of goods and workers allowed).

1 February 2021:
Parliament votes to clarify retroactivity of suspension of fixed rents payments in shopping centres to the start of the pandemic, March 13th 2020 (as opposed to the date of approval of the law, July 25th 2020).

IMPACT

Despite the current circumstances, investment volume in Portuguese corporate real estate was the third highest ever in 2020, albeit highly influenced by three very large deals.

Investor interest for Portugal remains intact, with strong allocations to real estate and dry powder ensuring liquidity.

Investors are carefully managing their asset portfolios, whilst banks are busy curating their existing loan books and looking selectively at new deals.

Investment activity remains dynamic, with some asset classes registering strong demand and others under some scrutiny.

MARKET OVERVIEW

There are not many live deals, with investment activity still affected by lockdowns and travel restrictions.

Structured sales processes have lost ground and off-market deals are more prevalent.

Buyers remain very active, but bids are reflecting the current uncertainty of the occupational market and asset performance in the next few months.

Deals in hospitality and retail (especially shopping centres) will most likely be subject to significant repricing or cancellation; while logistics, offices and PRS are more likely to hold values.

OUR VIEW

While there is uncertainty about the medium to long term effects of this crisis, investors, including foreign capital, want to keep deploying capital; thus, if vaccination programs progress well, H2 shall be more active than H1.

Risk premiums have risen and availability of finance has shrunk, impacting pricing across most asset types, compounded by the operational uncertainty on future performance, particularly of battered asset classes.

In this environment, core and core plus assets are at a premium; many investors are also signalling their interest in opportunistic deals, but the spread between bid and ask will remain significant for the next few months.

PORTUGAL 2020 MARKET DATA (YoY growth)

COMMERCIAL INVESTMENT

€2,800 million
(-12%)

FOREIGN CAPITAL

73%

MAIN SECTOR

40%
RETAIL

MAIN DEALS

€800 M (50%)
SIERRA PRIME

€300 M
HOTÉIS REAL

€421 M
LAGOAS PARK

PRIME YIELDS

4.10%
(+10 b.p.)
OFFICES

5.25%
(+50 b.p.)
SHOPPING CENTRES

4.10%
(+10 b.p.)
HIGH STREET RETAIL

6.00%
(0 b.p.)
INDUSTRIAL