

PORTUGAL

Industrial Market Snapshot

Third Quarter | 2019



MARKET INDICATORS

Market Outlook

Prime Rents:	Scarce quality supply and growing demand for logistic space should boost rental growth.	▼
Prime Yields:	Lack of supply is limiting investment activity.	►
Supply:	Vacant space in Greater Lisbon could increase in the medium term, in line with existent pipeline.	▼
Demand:	Demand is expected to grow further across 2019.	▼

Prime Industrial Rents – September 2019

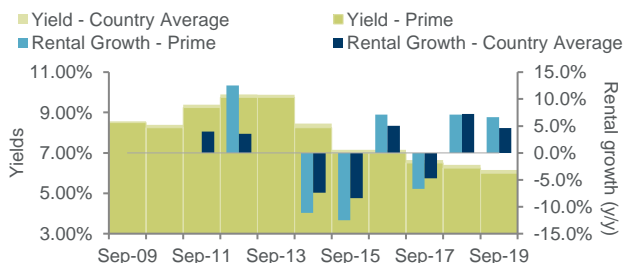
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Lisbon	4.00	48.0	5.03	6.7	1.3
Porto	3.75	45.0	4.72	0.0	-1.3

Prime Industrial Yields – September 2019

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Lisbon	6.00	6.25	6.25	9.75	6.25
Porto	6.50	6.50	6.75	10.25	6.50

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

Portuguese economy continues to perform well in 2019, although at a slower pace compared with previous years. According to Oxford Economic, GDP growth is forecasted to stand at 2.0% by year-end, followed by 1.7% in 2020 and 1.3% in 2021.

Exports remain resilient, and according to Oxford Economics are expected to increase 3.2% in 2019, above the Eurozone growth average of 2.1%.

Occupier focus

Demand levels on the industrial market remain below the expectations of an increasing activity sustained by e-commerce and retail sector growth. Additionally, the lack of quality space in the main axis with good accessibility is restraining the occupational market.

Between January and September, more than 47,000 sq.m were transacted in a total of 19 new lease deals. The largest deal was featured by Sandometal, a metallurgical industry changing its location to Azambuja (Zone 1), occupying 6,300 sq.m.

The scarcity of new projects is now being addressed with the imminent launch of Lisboa Norte logistics platform by Merlin Properties, with a total of 225,000 sq.m, and the green project of Aquila Capital, with 115,000 sq.m, both in Zone 1 where the prime rent stands at €4.00.

Investment focus

Until the third quarter of 2019, 7 investment deals were closed in the industrial sector totaling €104 million, in line with the same period of last year. This quarter was the most dynamic one with the sale of two portfolios, namely the Imofundos portfolio purchased by M7 Real Estate for €30 million and the Imocomercial portfolio sold by Selecta to Invesco for €25 million.

Outlook

The industrial market is expected to continue to reflect the lack of quality space, with some margin for prime rents to increase, particularly in spaces closer to the city centre, and therefore more suitable for e-commerce distribution.

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