

ECONOMY: Resilience of the Labour Market Supported by Economic Recovery

The improvement of the sanitary situation in Portugal - near 87% of the population is fully vaccinated against COVID-19, the highest worldwide rate according to Our World in Data – allowed for further easing of restrictions over the last quarter, including the lift of mandatory use of masks.

Economic activity is expected to consequently bounce back, with GDP growing by 4.0% in 2021 and 5.1% in 2022 according to Moody's Analytics, followed by a continued increase in the short-term, albeit at a slower pace. This rebound will stem from household consumption and tourism growth, though the latter is only forecasted to fully recover by 2023.

Reflecting its lagging trend, unemployment rate will roughly stabilize in 2021 (7.1%), followed by a downward trend starting 2022.

DEMAND: Lower Activity Influenced by an Average Deal Size Decrease

The Greater Porto's office sector continues showing a milder slowdown in demand compared with Greater Lisbon, with a total take-up of 20,800 sq.m in Q3 (more than twice in the same period of 2020) and 33,900 sq.m until September (-11% year-on-year). As in the capital, this variation was mainly due to the decrease in the average leased area, to 830 sq.m, while the number of deals slightly increased.

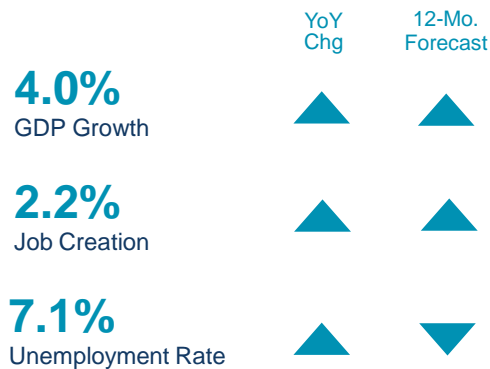
This behaviour was influenced by some sizeable deals during Q3, namely a lease of around 7,000 sq.m in the Centro Empresarial da Lionesa and the 3,540 sq.m expansion of Concentrix within Porto Office Park (POP), which became fully leased. Porto Boavista (zone 1) was the most sought-after zone, both in the analysed quarter (45%) and until September (38%).

The vacancy rate stabilized at 8.8%, and future supply is expected to reach 93,200 sq.m over the next three years, of which only 40,700 sq.m are under construction (with 65% pre-occupied).

PRICING: Incentives Continue Supporting Rental Levels

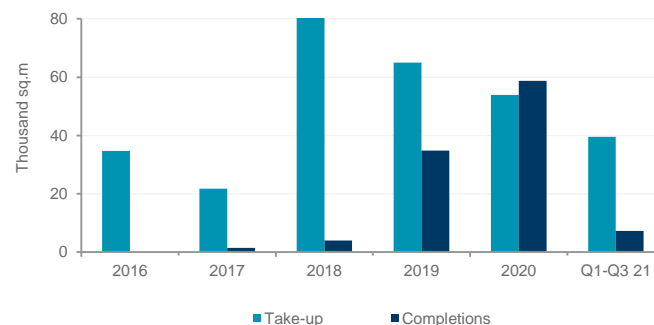
Prime rents remain stable, supported by landlords' availability to agree on additional incentives such as rent-free periods, with some preferring to provide fit-out contributions for projects in the pipeline.

ECONOMIC INDICATORS 2021



Source: Moody's Analytics

OFFICES DEMAND & COMPLETIONS



OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ.M)	AVAILABILITY (SQ.M)	VACANCY RATE (%)	QUARTER TAKE-UP (SQ.M)	OVERALL TAKE-UP (SQ.M)	UNDER CONSTRUCTION (SQ.M)	PRIME RENT (€/SQ.M/MONTH)	PRIME YIELD (%)
Zone 1 (CBD Boavista)	413,120	26,220	7.0%	9,370	12,950	0	€18.0	5.75%
Zone 2 (CBD Downtown)	211,790	15,520	8.6%	750	2,280	4,180	€17.0	-
Zone 3 (ZEP)	93,280	9,510	10.3%	3,210	3,210	8,130	€13.0	-
Zone 4 (East)	137,880	14,640	11.6%	0	250	0	€13.0	-
Zone 5 (Others Porto)	-	-	-	390	1,130	-	-	-
Zone 6 (Matosinhos)	236,180	15,480	7.5%	6,990	9,330	20,760	€14.0	-
Zone 7 (Maia)	225,600	18,590	9.2%	0	100	0	€12.0	-
Zone 8 (Vila Nova de Gaia)	269,730	27,940	11.6%	0	1,010	0	€13.0	-
Zone 9 (Others Outside Porto)	-	-	-	0	3,500	-	-	-
GREATER PORTO TOTALS	1,587,580	127,900	9.0%	20,710	33,770	40,520	€18.00	5.75%

MAIN OCCUPANCY TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	AREA (SQ.M)	TYPE
Centro Empresarial Lionesa	Zone 6	Confidential	6,990	Pre-let
Porto Office Park (POP)	Zone 1	Concentrix	3,540	Lease
Manuel Pinto de Azevedo, 401	Zone 3	SynLab	3,210	Lease
Porto Office Park (POP)	Zone 1	Confidential	1,730	Lease
Porto Office Park (POP)	Zone 1	THE HUUB	860	Lease
Porto Office Park (POP)	Zone 1	Engie	860	Lease

ANDREIA ALMEIDA

Head of Research & Insight

+351 211 207 560 / andrea.almeida@cushwake.comcushmanwakefield.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2020, the firm had a revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.