OFFICE MARKET OVERVIEW

Q3 2022

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ECONOMIC OVERVIEW

In the third quarter of 2022, GDP recorded a homologous variation of 4.9% and a quarter-on-quarter increase of 0.4%. The contribution of domestic demand decreased due to the slowdown in private consumption and investment.

There was also a slowdown in the exports of goods and services component due to the decrease in net external demand.

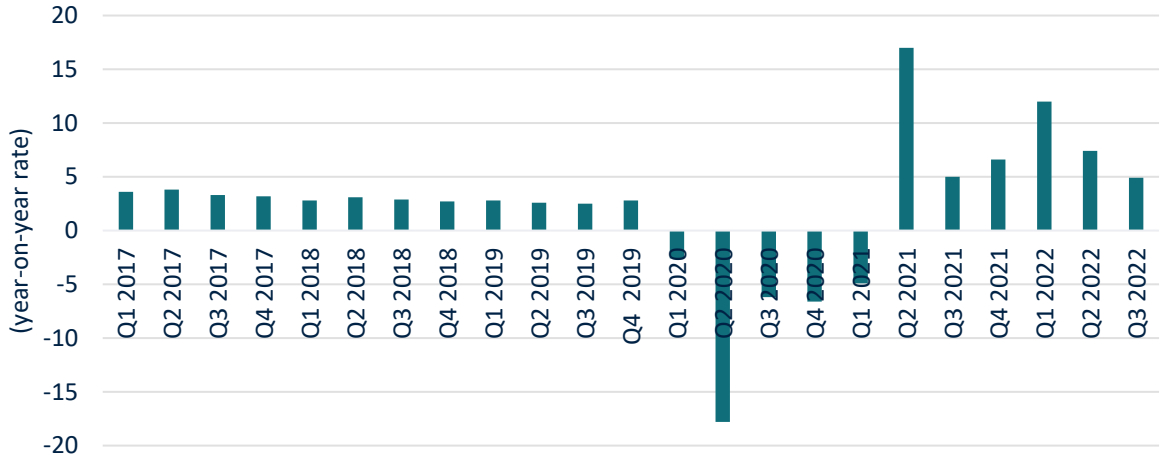
In the third quarter of 2022, exports and imports of goods increased by 28.0% and 35.3% respectively compared with the same period of 2021.

Compared with the pre-pandemic 3rd quarter of 2019, the increases were 38.9% and 43.5% respectively.

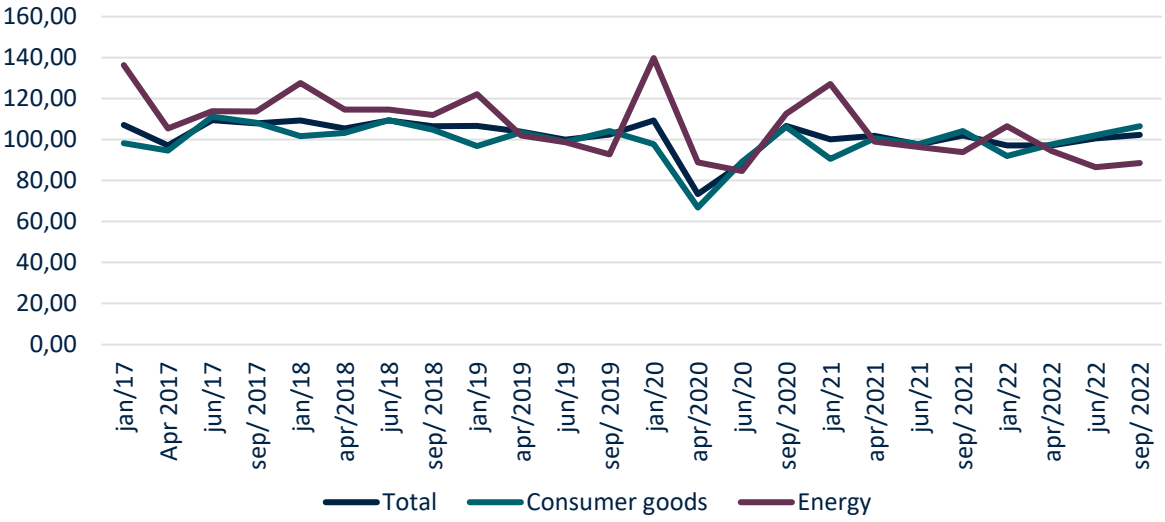
The Industrial Production index registered a year-on-year change of 0.9% in September (5.4% in August). The Consumer Goods contributed the most to the change in the total index, giving rise to a variation rate of 4.1% (5.1% in August 2022).

Investment Goods contributed with 0.9 p.p., as a result of a homologous variation of 6.6% (23.3% in August) and the Energy and Intermediate Goods recorded negative contributions of -0.9 p.p. and -0.5 p.p., caused by variation rates of -5.4% and -1.3% (-0.2% and 1.6% in August).

GDP



Index of industrial production - non adjusted by Industrial group



Source: INE

ECONOMIC OVERVIEW

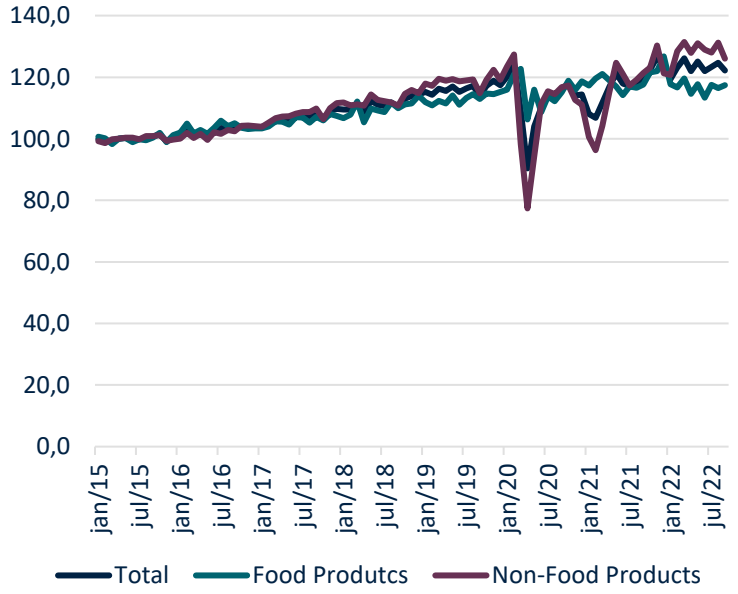
The Retail Trade Turnover Index recorded a homologous variation of 2.1% in the month of September 2022, mainly caused by the slowdown in Non-Food Products. Retail sales grew by 4.3% year-on-year.

In September, the year-on-year change in the Consumer Price Index was 9.3%, 0.4 p.p. higher than in August and the highest since October 1992.

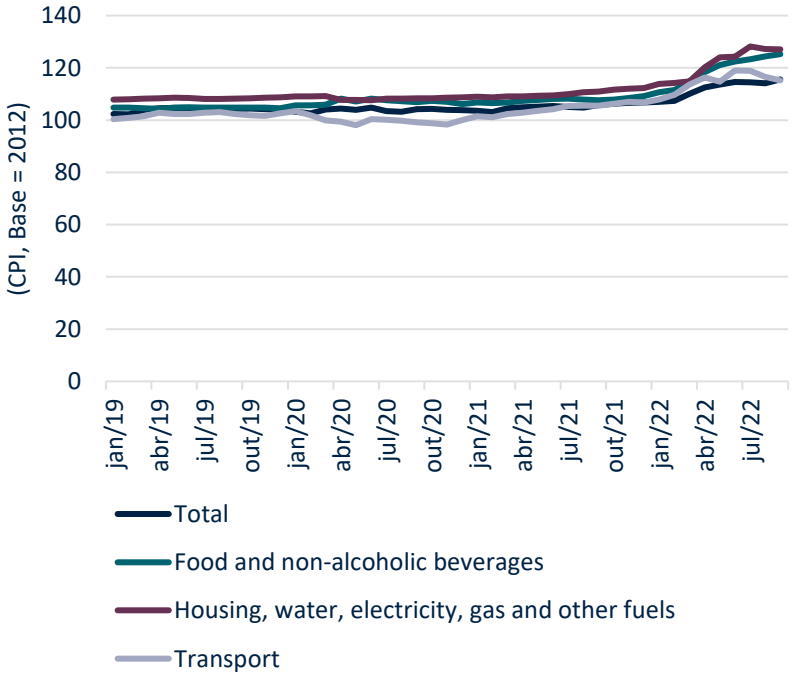
The change in the energy products index was 22.2%. The national Harmonised Consumer Price Index registered a homologous variation of 9.8%. Excluding unprocessed foodstuffs and energy, the HICP recorded a year-on-year change of 7.9% in September, higher than the corresponding rate for the Euro Zone (estimated at 6.1%)

At the end of September 2022, the unemployment rate was 6.1%, registering an increase of 0.1 p.p. relative to the months of August and June 2022.

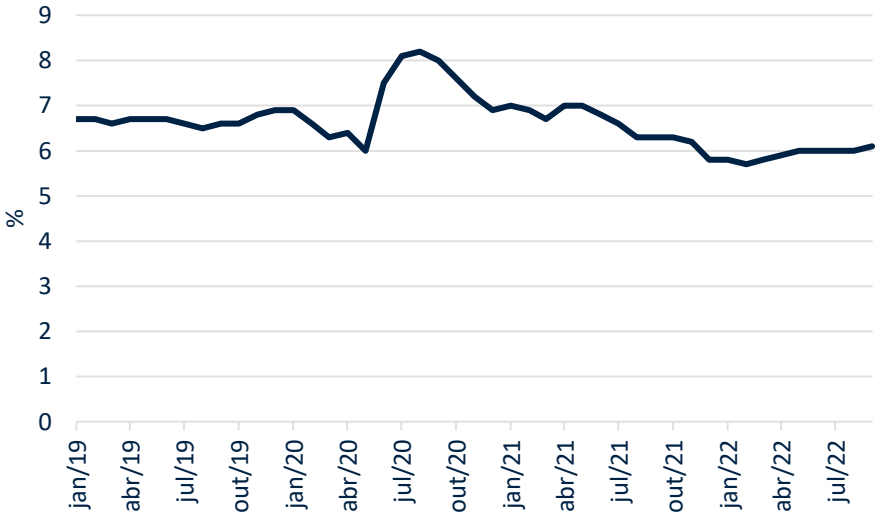
Turnover in Retail Trade



Consumer Price Index



Unemployment rate



Source: INE

ECONOMIC OVERVIEW

- GDP growth in 2022 supported by stong private consumption and tourism;
- High degree of uncertainty: price pressures, decrease of consumer confidence; rises in production costs; rebound in tourism, declined of unemployment rate;
- 10Y government bonds yields increased by approx. 150 basis points since january 2022;
- Real GDP is expected to grow by 5.4% in 2022 and 1.7% in 2023;
- Tourist export increasing further;
- Inflation should moderate in 2023 to 4,0%, as energy and food prices ease throught the year;
- Risks: oil prices; increase in interest rates; reduction bank lending.

Portugal	2019	2020	2021	2022	2023
GDP at market prices	2,7	-8,4	4,9	5,4	1,7
Private consumption	3,3	-7,1	4,5	3,6	0,5
Gross fixed capital formation	5,4	-2,7	6,5	7,7	5,1
Exports of goods and services	4,1	-18,5	13,1	13,2	3,2
Imports of goods and services	4,9	-12,2	13,1	9,3	2,6
Harmonised index of consumer prices	0,3	-0,1	0,9	6,3	4,0
Unemployment rate (%)	6,6	7	6,6	5,8	5,7
Household saving ratio, net (% disposable income)	-2,2	3,3	1,3	-0,9	0,4

Source: OECD

LISBON OFFICE MARKET OVERVIEW

Q3 2022

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LISBON OFFICE MARKET OVERVIEW

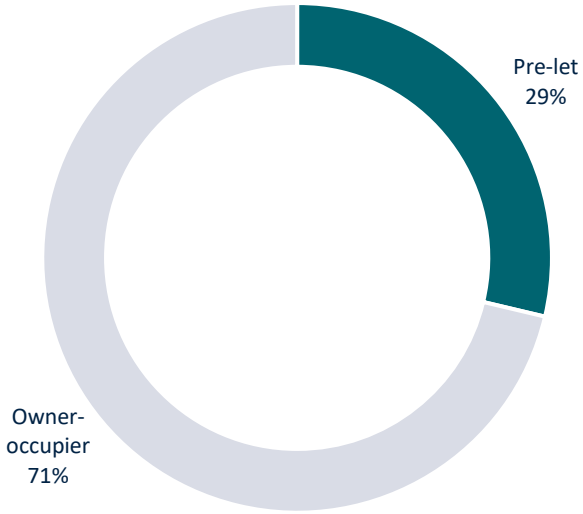
Stock: 4.3 M M²

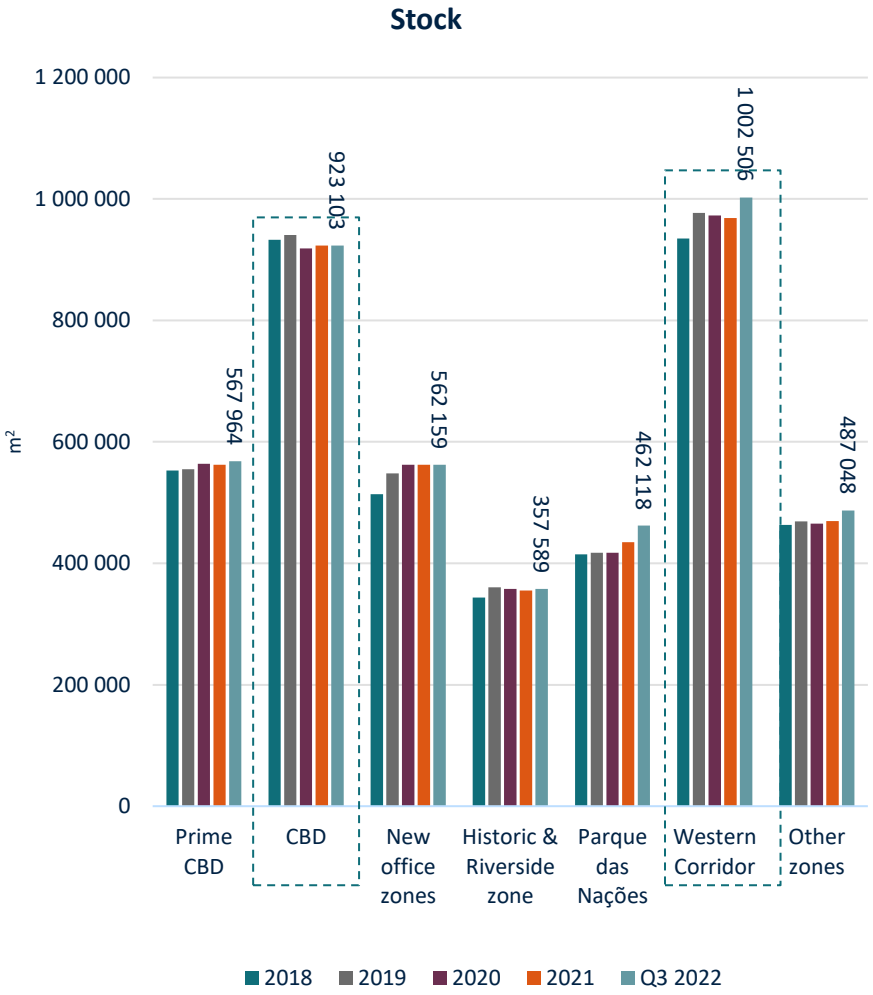
Vacancy rate: 8.59%

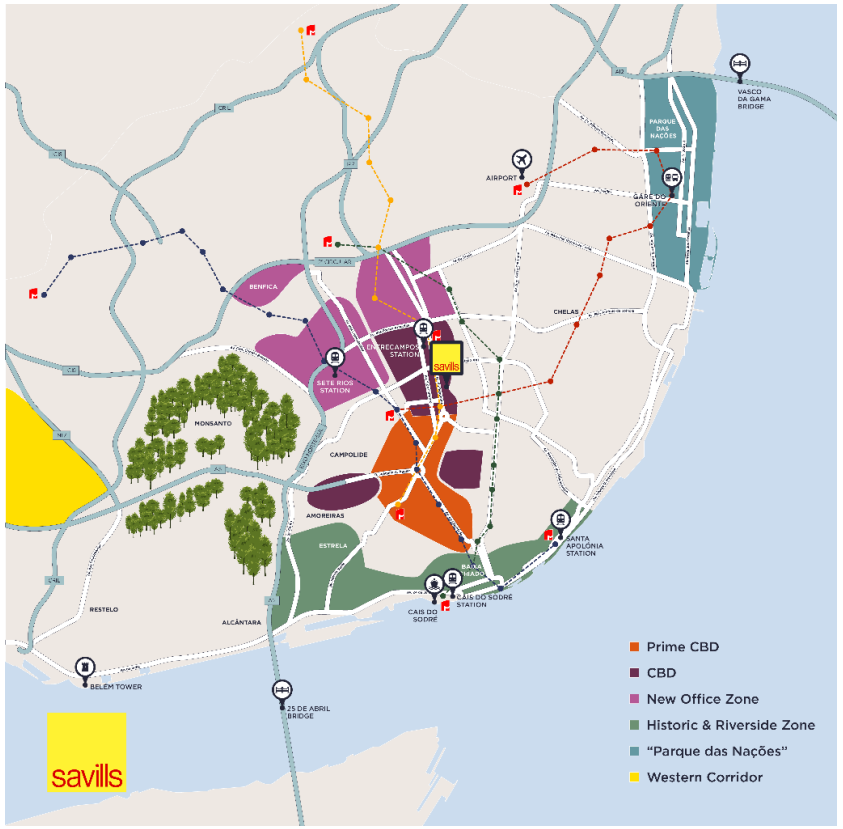
Take-up (Q1-Q3): 79,569 m²

Prime rent: 26€/m²/month

Pipeline Q4 2022 – 2023: 207,153 m²







Source: Savills

LISBON OFFICE MARKET OVERVIEW

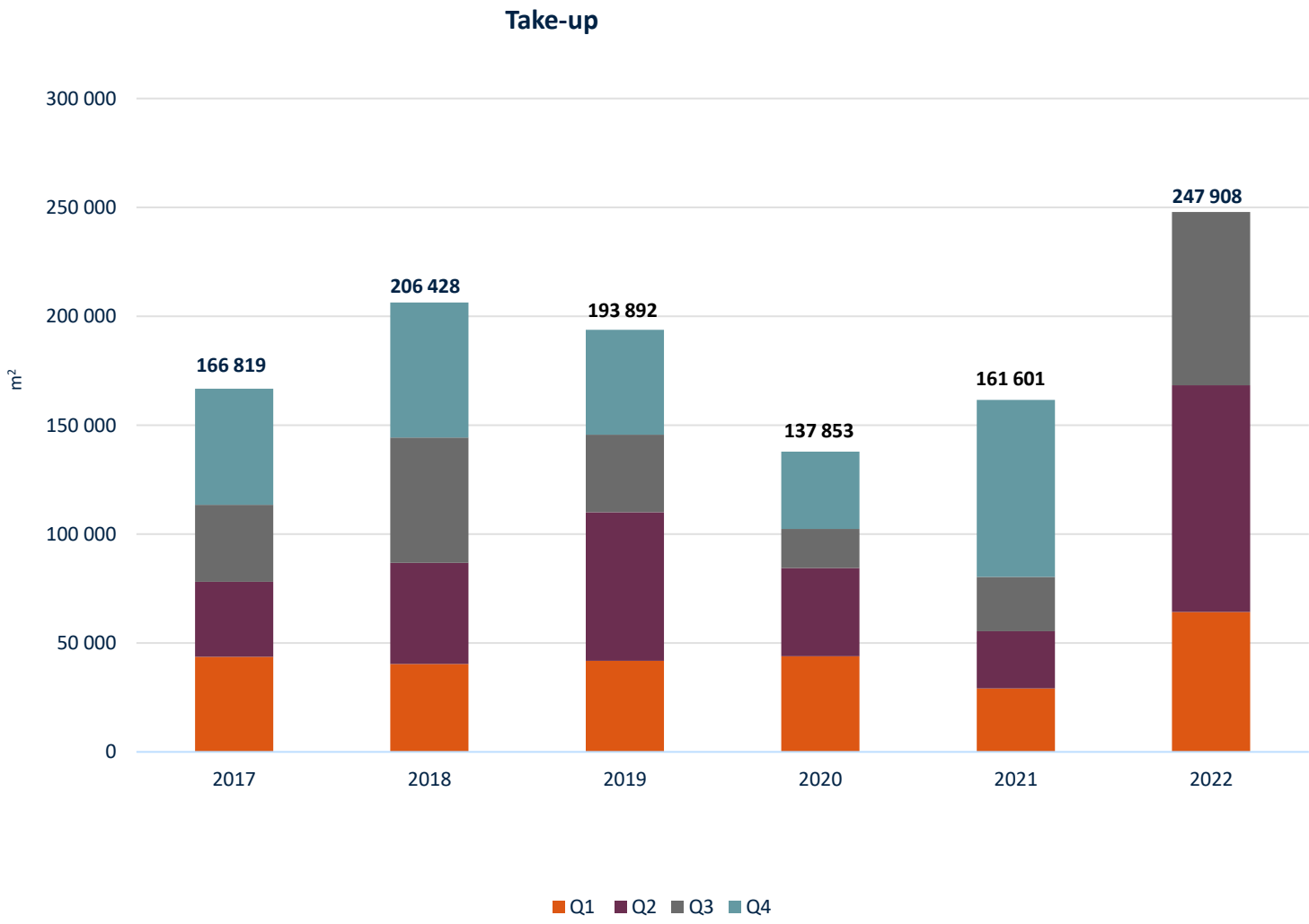
Q3 2022 was the strongest 3rd quarter ever recorded, with a total take-up of 79,569 m^2, paving the way for 2022 to be the historic year.

In the year-to-date total take-up is already close to 250,000 m^2, 20% above the highest value recorded in the last 5 years and 6.5% above the record 2008 figure (232,623 m^2).

44% of the transactions registered in the 2022 take-up relate to pre-lets and owner-occupier transactions, proving the strong dynamics of the market showing no signs of slowing down.

The significant increase in the weight of pre-letting reflects a pipeline that remains scarce in an equation still unbalanced between the growing attractiveness of Lisbon, the demand due to relocation or expansion processes, an office stock needing to be updated to meet new sustainability targets and ESG policies and a pipeline that is still insufficient to respond effectively to the high demand.

The internationalization of the city of Lisbon is still very robust, based on the expansion of international companies, many of them operating in the TMT sector, but also based on the arrival of new companies and the need for many companies to redesign their office spaces inspired by new ways of "living" the office based on concepts of flexibility, social interaction, well-being, safety and health.



Source: Savills

LISBON OFFICE MARKET OVERVIEW

A total of 162 operations were recorded in the year-to-date total, with the Prime CBD (Zone 1) and Western Corridor (Zone 6) accounting for 25% and 24% respectively.

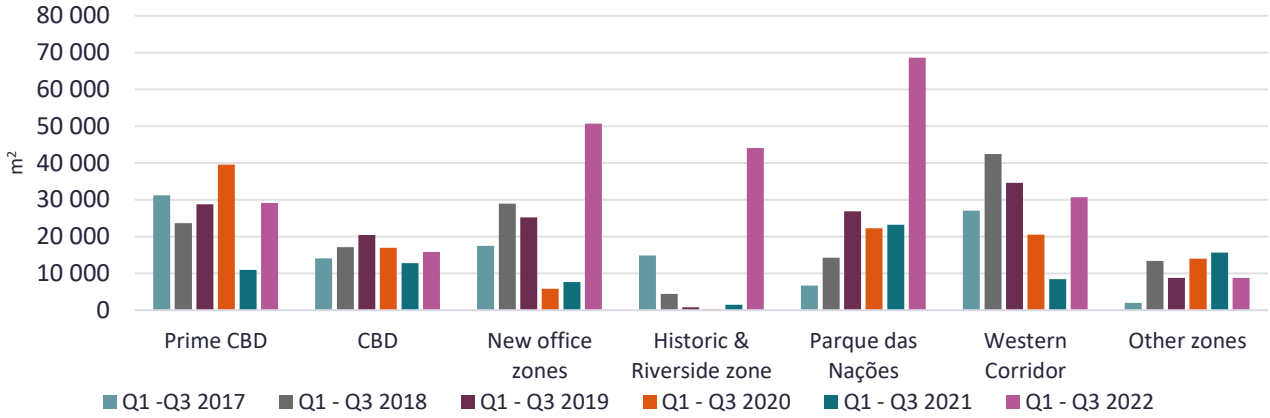
Parque das Nações (zone 5) registered the highest take-up volume in the year to date, with approximately 69,000 m², closely followed by the New Office Zones (Zone 3) with approximately 51,000 m².

New projects under development at Parque das Nações have attracted large international tenants dedicated to the financial and TMT's sectors, finding in Parque das Nações office spaces perfectly suited not only to their space size needs but also adjusted to the new work models, to the new mentalities of living in spaces with a strong focus on areas dedicated to teamwork and social interaction, but also, and very important today, office buildings equipped with technology that allow the application and measurement of sustainable practices.

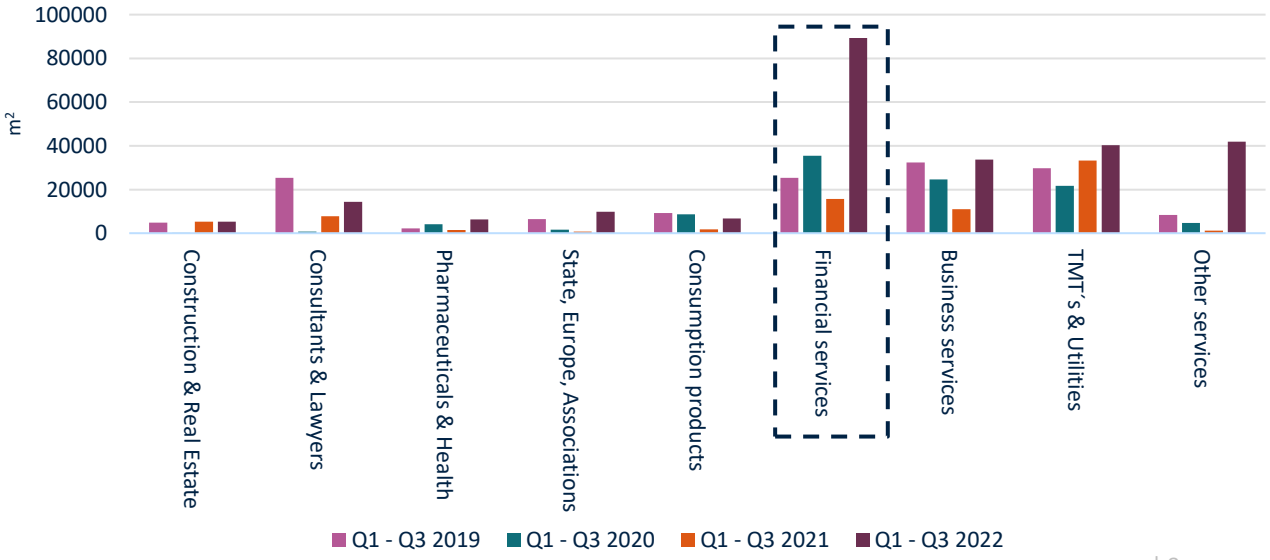
The Riverside & historic Zone (Zone 4) is also the stage for the development of one of the largest projects on the market, the Allo Project, consisting of two blocks of 17,200 m² each. In Q3 2022, this project was responsible for 70% of the take-up recorded in this market area.

The financial sector, but also the sectors dedicated to TMT's and services to companies, remain the main pillars of demand in the Lisbon office market. Market very driven by medium-large companies that, given the shortage of modern stock for immediate occupation, move towards pre-leasing operations.

Take-up by market zone



Take-up by business sector



Source: Savills

LISBON OFFICE MARKET OVERVIEW

TOP DEALS 2022

MARKET ZONE	QUARTER	PRE-LET | IMMEDIATE	BUILDING	GLA (SQM)	TENANT	BUSINESS SECTOR	DEMAND REASON
New office zone	Q1	Pre-let	Fidelidade - Álvaro Pais	28,000	Fidelidade	Financial services	Relocation
Parque das Nações	Q2	Pre-let	EXEO - Echo	21,474	BNP PARIBAS	Financial services	Relocation
Historic & Riverside	Q3	Immediate	(ALLO) Block 2	17,748	Confidential	Other services	Relocation
Parque das Nações	Q2	Pre-let	EXEO - Aura	16,784	BNP PARIBAS	Financial services	Relocation
Historic & Riverside	Q2	Pre-let	EDP 2	11,400	EDP	Business services	Area expansion
Parque das Nações	Q3	Immediate	Vodafone	9,858	Confidential	TMTs & Utilities	Area expansion
Western Corridor	Q2	Pre-let	Novo Banco - Tagus Park Expansion	8,233	Novo Banco	Financial services	Relocation
Historic & Riverside	Q2	Pre-let	ALLO Block 1	7,844	Confidential	Consultants & Lawyers	Relocation
Prime CBD	Q1	Immediate	Alexandre Herculano, 50	5,807	Confidential	Business services	New company in Lisbon
Historic & Riverside	Q3	Pre-let	ALLO Block 1	5,566	Confidential	TMTs & Utilities	Relocation

Source: Savills

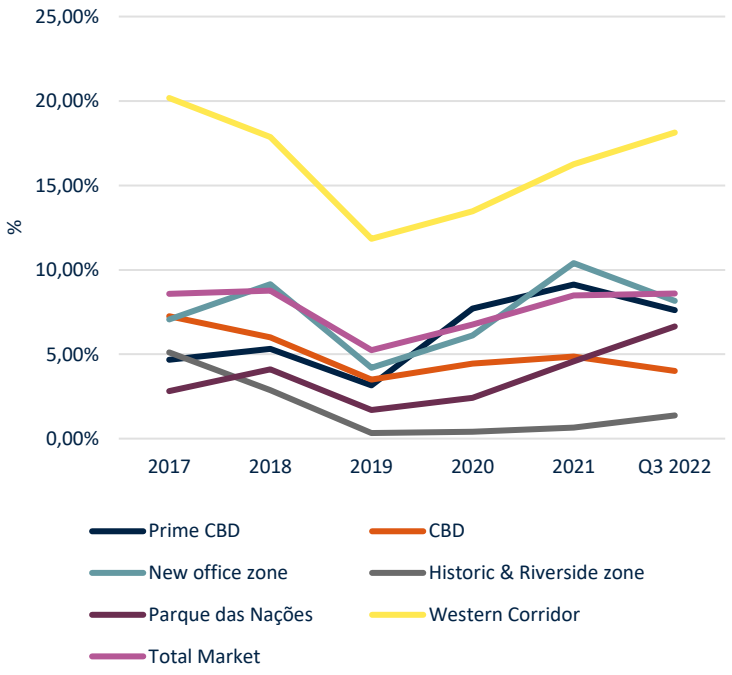
LISBON OFFICE MARKET OVERVIEW

Vacancy rate at the end Q3 2022 fixed at 8.59%, showing a decrease compared to the previous two quarters but still higher compared to the end of the year 2021, which stood at 8.48% and significantly above the year 2019 , which ended at 5.25%.

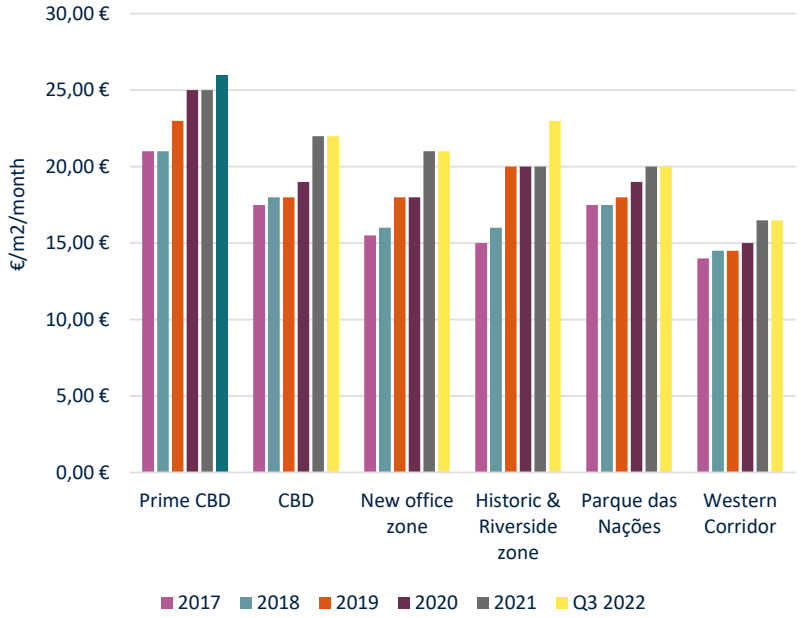
Entry of new projects on the market, but also some deals done boosted by relocation processes or downsizing needs, as a result of space re-design and the application of more hybrid work models contributing to this increase of the vacancy rate.

Prime rent stood at €26/m²/month, confirming its consistent upward trend, which accompanies the entry of new high-quality projects and high demand. Compared to other European markets, Lisbon remains very competitive in a balanced equation between the main market fundamentals, rent values and available supply.

Evolution of vacancy rate



Evolution of Prime Rent



Vacancy rate vs Prime rents

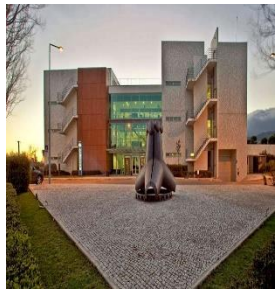
Source: Savills

NEW SUPPLY& PIPELINE

BUILDING | **EXEO – Lumnia**

MARKET ZONE | Parque das Nações

GLA (M^2) | 27,600



BUILDING | **Beloura Business Campus**

MARKET ZONE | Western Corridor

GLA (M^2) | 8,300

BUILDING | **Duque de Palmela 11**

MARKET ZONE | Prime CBD

GLA (M^2) | 3,929

BUILDING | **World Trade Center**

MARKET ZONE | Western Corridor

GLA (M^2) | 25,000

BUILDING | **Alegria One**

MARKET ZONE | Prime CBD

GLA (M^2) | 1,300

CONFIRMED PIPELINE – 2002 | 2025

BUILDING	CONCLUSION DATE	MARKET ZONE	GLA (SQM)
Casal Ribeiro, 16 - CONCLUDED	Q3 2022	2	4,239
World Trade Center Block 1 - CONCLUDED	Q3 2022	6	15,000
World Trade Center Block 2 - CONCLUDED	Q3 2022	6	10,000
Boqueirão do Duro - CONCLUDED	Q3 2022	4	3,434
Hub Creativo do Beato - Building Factory Lisbon	Q4 2022	7	10,000
Hub Criativo do Beato - Building Claranet Lisbon	Q4 2022	7	4,000
		Sub total 2022	**14,000**
EDP 2	Q1 2023	4	11,400
Alcantara Lisbon Office (ALLO) Block 1	Q1 2023	4	17,200
Alcantara Lisbon Office (ALLO) Block 2	Q1 2023	4	17,200
K Tower	Q2 2023	5	13,875
CM Oeiras - Paços do Concelho	Q4 2023	6	30,478
EXEO - Echo	Q4 2023	5	20,900
Fidelidade Alvaro Pais	Q4 2023	3	41,000
Oriente Green Campus	Q4 2023	7	41,100
		Sub total 2023	**193,153**
EXEO - Aura	Q2 2024	5	16,500
WellBE	Q1 2024	5	28,872
		Sub total 2024	**45,372**
Campo Novo – 1 building	Q1 2025	3	9,242
Colombo 3rd Tower	Q1 2025	3	31,450
Entrecampos Project	Q1 2025	2	98,000
		Sub total 2025	**138, 692**
TOTAL		**TOTAL**	**419,651**

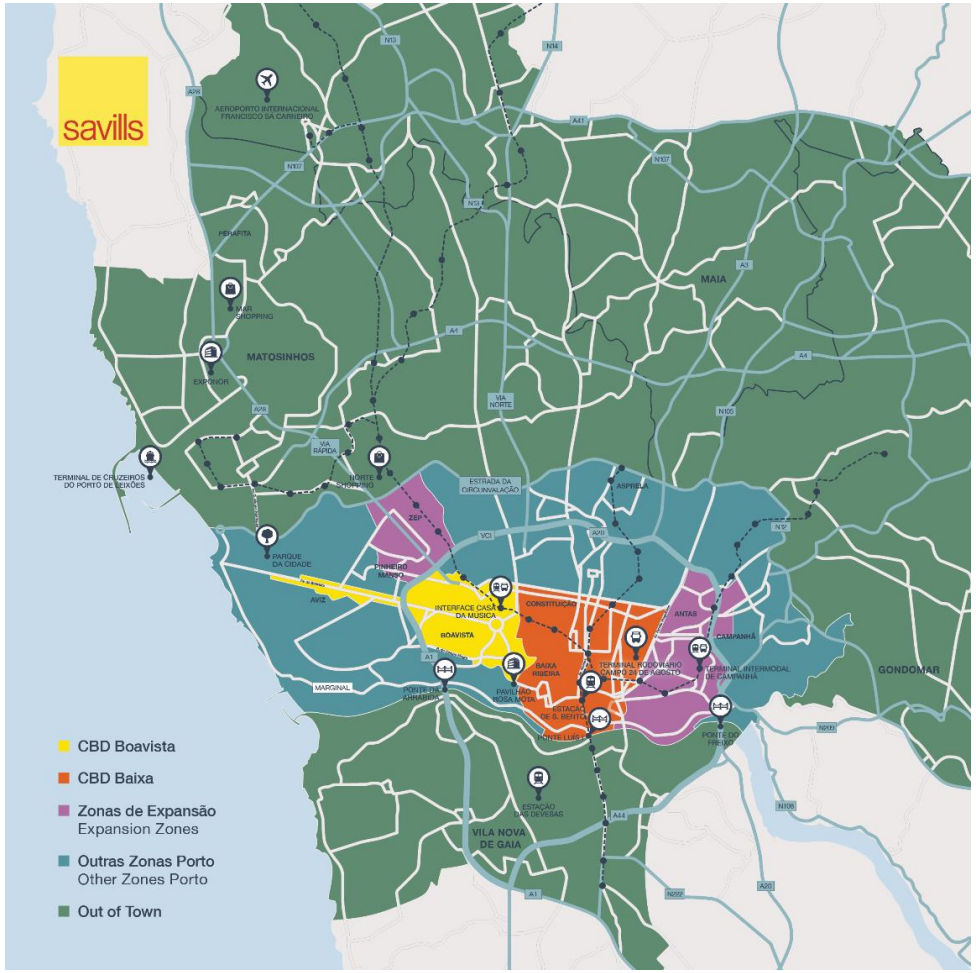
Source: Savills

PORTO OFFICE MARKET OVERVIEW

Q3 2022

savills

PORTO OFFICE MARKET KEY-NUMBERS



TAKE-UP

45,230 sq m
Y-o-y change: 34%

TOTAL DEALS DONE

52
Y-o-y change: 30%

AVERAGE TAKE-UP GLA

886 sq m
Y-o-y: 3%

BEST PERFORMANCE MARKET ZONE

CBD Downtown

BEST PERFORMANCE BUSINESS SECTOR

TMT´s & Utilities

PRIME RENT

17€/m^2/month

PIPELINE Q4 2022 - 2042

136,150 M^2

PIPELINE PRE-LET | OWNER OCCUPIER

+30% GLA

PORTO OFFICE MARKET

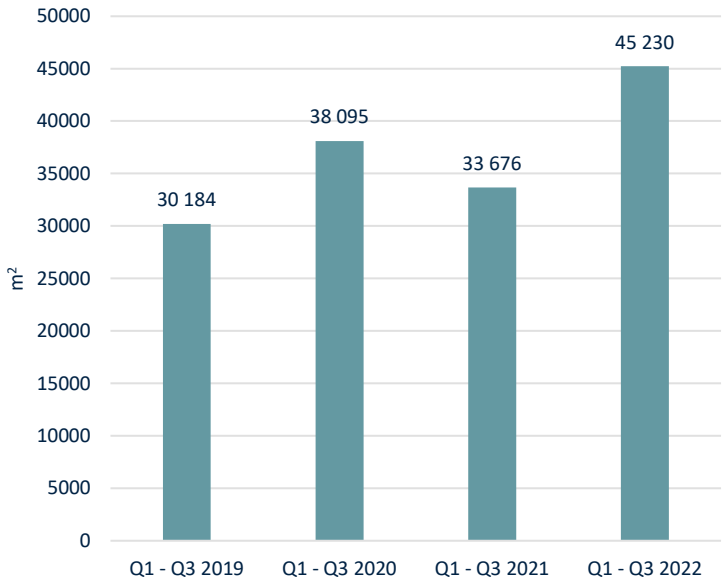
Porto market with a very positive performance in Q1-Q3 2022 and already above the take-up volumes observed for the same periods of 2019, 2020 and 2021, verifying a complete recovery of the market in the post-pandemic phase. At the end of Q3 2022, the total volume of take-up was 45,230 m², above 34% compared to the same period of 2021 and close to 50% above the same period in 2019.

The recovery speed was more gradual when compared to the Lisbon office market, but the Porto market is increasingly asserting itself as a very attractive destination for international companies at very competitive prices compared to other European capitals.

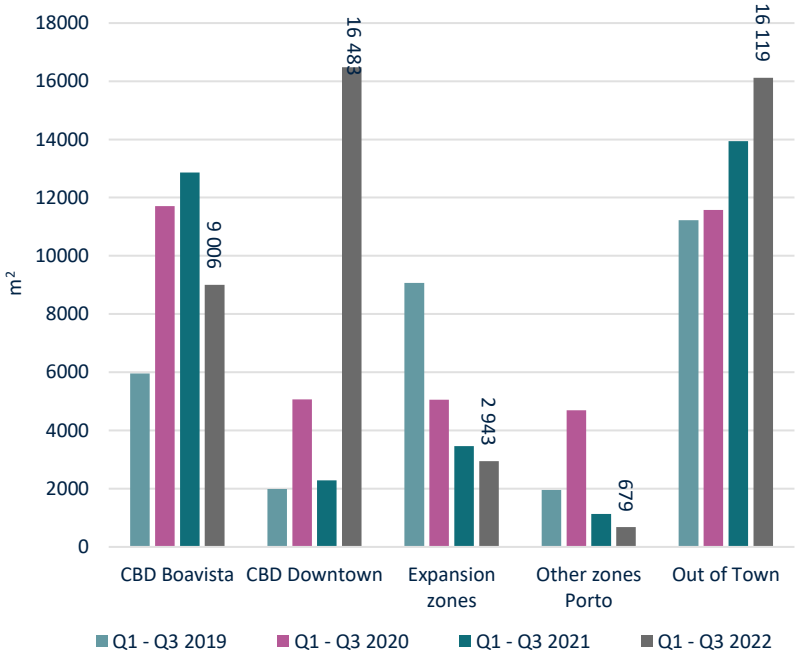
The CBD Downtown and Out of Town market zones observed the highest volumes of take-up. In the CBD downtown zone, the largest leasing operations were carried out by companies in the financial sector and TMT's resulting from area expansion decisions or the entry of new companies into the Portuguese national market.
In total, 9 operations have been registered since the beginning of the year, with an average area of around 1,800 m².

In the Out of Town area, which has been the location chosen for the development of a significant part of the new pipeline, 13 operations were closed, with an average area of 1,240 m². Both market zones have recorded successive increases in take-up in the periods under analysis.

Take-up



Take-up by market zone

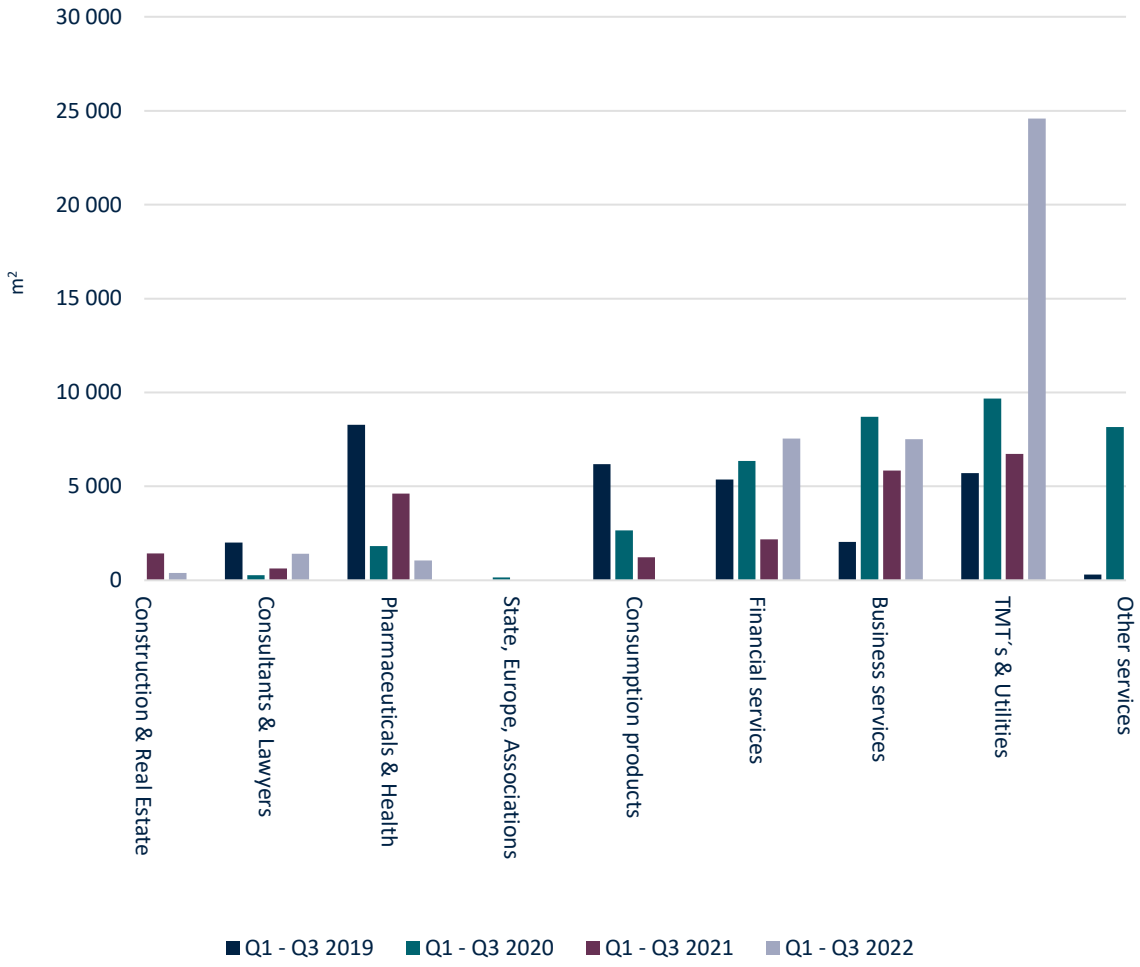


Prime rents by market zone

Source: Savills

PORTO OFFICE MARKET

Take-up by business sector



Source: Savills

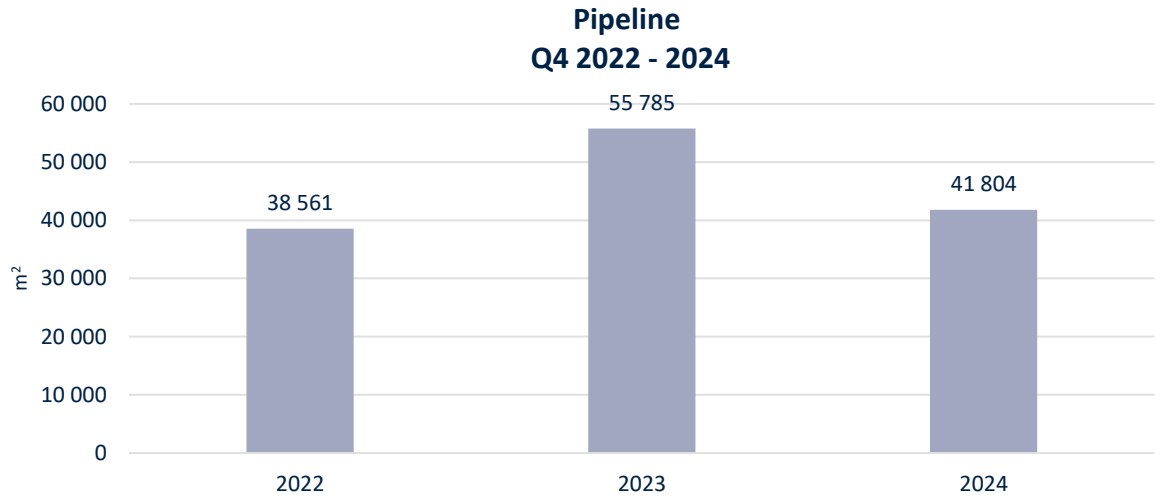
TOP DEALS 2022

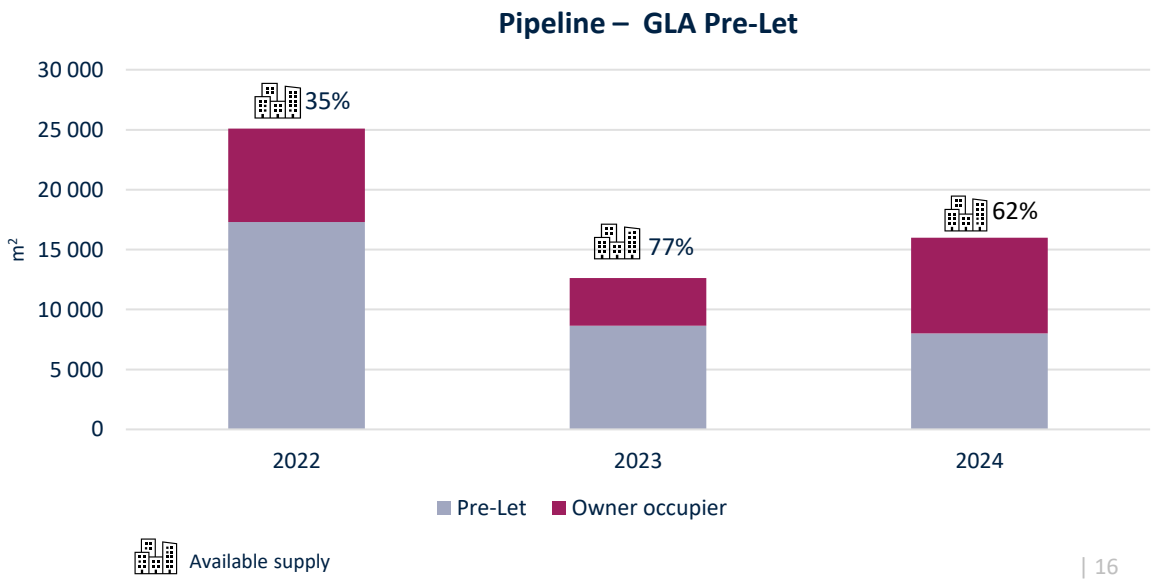
MARKET ZONE	BUILDING	GLA (SQM)	TENANT	BUSINESS SECTOR	DEMAND REASON
Out of Town	Joana D'Arc	4,500	IWG / SPACES	Business Services	New company in the Porto Area
Out of town	Revor	4,064	Kantar	TMT´s & Utilities	Area expansion
CBD Downtown	Porto Business Plaza	3,750	Saltpay	TMTs & Utilities	Relocation
CBD Downtown	Porto Business Plaza	3,200	Natixis	Financial Services	Area expansion
CBD Downtown	Catarina 1232	2,819	Fintru	Financial services	New company in Porto
CBD Downtown	Braamcamp 119	1,920	Five9	TMT´s & Utilities	New company in Porto
Out of Town	TecMaia	1,562	Infineon	TMTs & Utilities	Area Expansion
CBD Downtown	LC 142	1,528	Transcom	Finantial Services	Area Expansion

PIPELINE

BUILDING	CONCLUSION DATE	MARKET ZONE	GLA (SQM)
Alegria 819	Q4 2022	CBD Downtown	1,597
Centro Empresarial Lionesa - Building N2	Q3 2022	Out of town	7,650
Noto Office Center	Q4 2022	Out of town	6,384
Revor - Sector 2	Q4 2022	Out of town	3,880
TecMaia - Building 4 - Adidas	Q4 2022	Out of town	6,900
Porto Business Plaza - Phase 2	Q4 2022	CBD Downtown	3,200
Alegria Office Space	Q4 2022	CBD Downtown	4,450
Joana D'Arc	Q4 2022	Out of town	4,500
Metyis Campus	Q1 2023	Out of town	4,000
D. M2	Q1 2023	CBD Boavista	13,088
Matosinhos Office Center	Q2 2023	Out of town	4,074
Fábrica 390	Q4 2023	Out of town	3,550
ICON Offices (Civilria)	Q3 2023	Expansion Zones	13,373
SPARK Matosinhos	Q3 2024	Out of town	17,700
Matadouro	Q3 2024	Expansion Zones	20,000
Lionesa Business Hub - N5	2024	Out of town	14,904
Tecmaia - Lote 4	Q1 2024	Out of town	6,900

Source: Savills





THANK YOU

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