YEAR 2023 | WHAT TO EXPECT IN 2024?

Savills Portugal

Real Estate Market Overview

Contents

01

Economy

Economy

According to the most recent projections from the European Commission published in the Winter 2024 Economic Forecast, the Portuguese economy should grow 1.2% in 2024 and 1.8% in 2025, after closing 2023 with 2.3%.

Following a passive start of the year, and a decline of 0,2% in the third quarter, the Portuguese economy was set-up for the possibility of a technical recession. However, the economy demonstrated an impressive resilience, registering a growth of 0.8% in the last quarter of 2023 and being able to finish the year with a year-on-year growth of 2,3%.

The initial deceleration was impacted by a decline in private consumption and general investment, majorly influenced by the elevated interest rates.

However, in the latter quarter of the year, there was a recovery in both consumption and investment despite a lower contribution of net exports to growth, mainly due to a slowdown in tourism and exportations.

The European Commission anticipates a slower start to 2024, with the economy gradually picking up over the year, characterized by a gradual recovery in real household disposable income and private consumption.

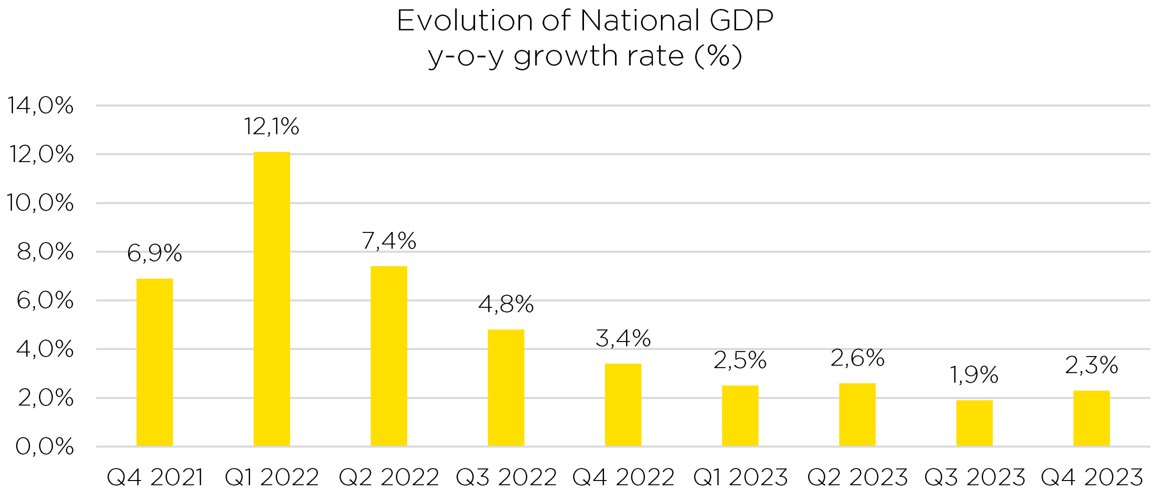
Additionally, the Recovery and Resilience Plan continues to support improved investment growth in the upcoming months. This positive trajectory can be attributed to declining global commodity prices and a rebound in global supply chains.

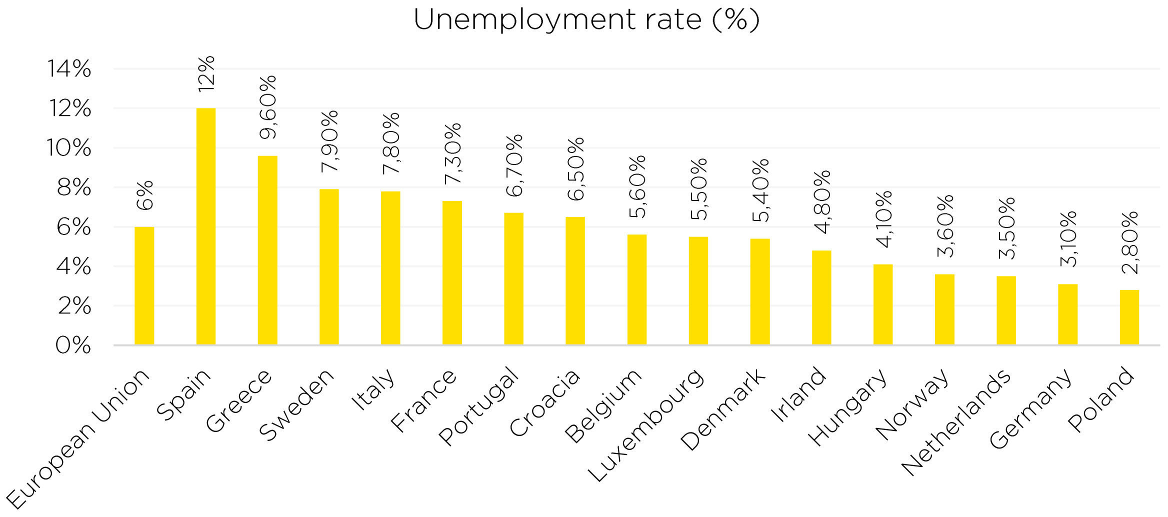
Moreover, there is optimism surrounding the anticipated influx of EU funds, which should help counterbalance any potential negative effects of higher interest rates on investment. Exports are predicted to outpace imports, driven by the strong performance of the tourism sector and therefore, contribute to overall economic growth.

Inflation is projected to remain under control throughout the forecast period. The moderation in inflation will primarily be influenced by the energy price index, followed by food and non-industrial goods.

Services prices are also expected to slowly contribute to disinflation as employment growth and increase of salaries is expected to offset the decrease in workers' purchasing power that occurred in 2023.

Economy





Source: European Comission, Bank of Portugal

Forecast 2024

GDP GROWTH RATE **1.2%**

INFLATION RATE **2.3%**

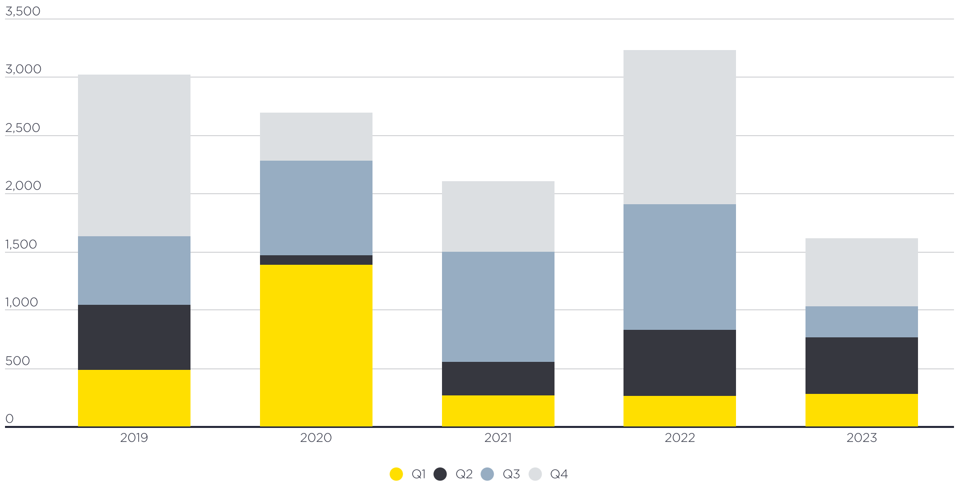
UNEMPLOYMENT RATE **7.1%**

02 Investment

Investment 2023

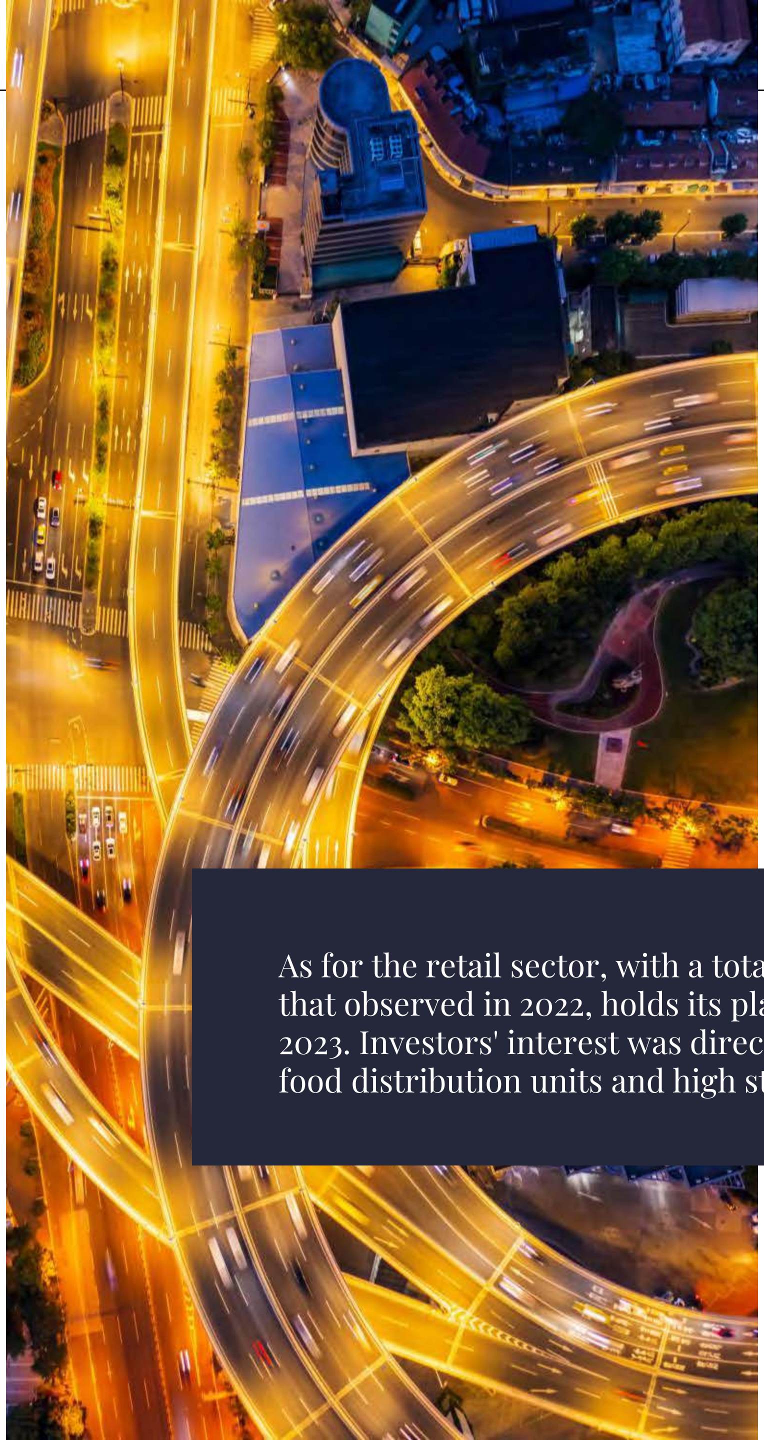
At the end of 2023, the Portuguese real estate investment market totaled an overall amount of 1.6 billion euros, representing an YoY decreased of 52%. The early predictions in the beginning of 2023 were confirmed, with real estate investment volumes following a sharp and expected downward trajectory, aligned with the scenery also observed across the European territory.

Evolution of Total Real Estate Investment Volume (M€)



Source: Savills

High levels of inflation, increased debt costs, and high sensitivity to price gaps are at the basis of this contraction. Heavily influenced by the risks associated with an uncertain economic climate, the decision-making processes tended to be lengthened, particularly affecting those with larger investment tickets or involving secondary assets with higher associated risk. The year 2023 was thus marked as a year of more wait and see approaches towards high-value investments, as investors are increasingly becoming more risk-averse and in the expectation of price corrections.



In 2023, except for the retail and hospitality sectors, all other asset classes witnessed year-on-year decreases in their investment volumes. Historically at the top of investors' choices, offices were the most affected with a total investment of 160 million euros, well below the average investment volume over the last 5 years (748 million euros/year).
A resilience felt throughout Europe, in a sector with high yields that are attractive in the face of rising costs.

As for the retail sector, with a total investment volume 42% higher than that observed in 2022, holds its place as the most resilient segment in 2023. Investors' interest was directed towards Retail Parks, stand-alones, food distribution units and high street retail.

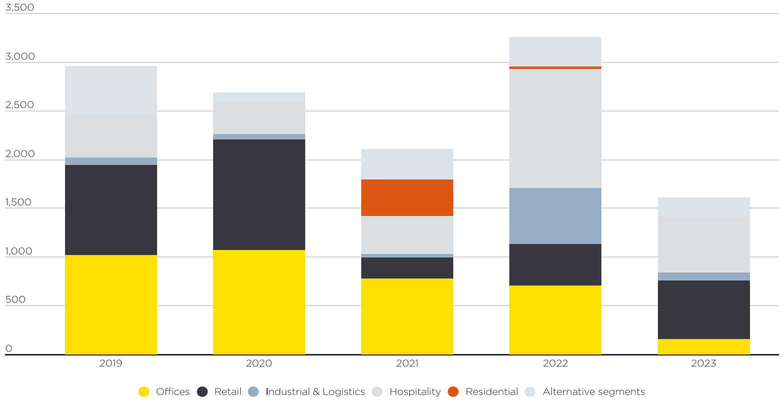
The two major transactions in this segment were the sale of the Amália Portfolio (49 supermarkets) to LCN Capital Partners for 150 million euros and right at the end of the year, Mitiska sold five retail parks to Partners Group for an estimated value of 100 million euros.

The Hospitality market strongly contributed to the total volume achieved in 2023, adding up to a total of 571 million euros.

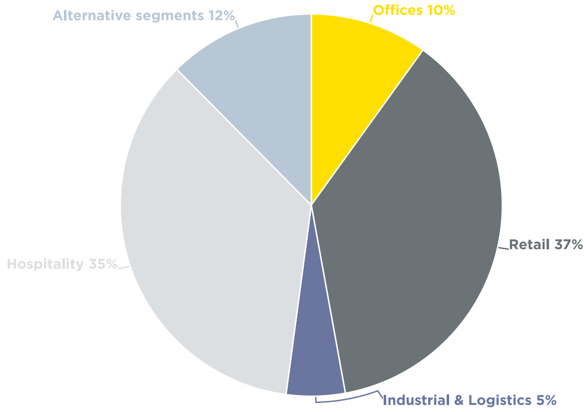
Although this amount represents a drop of -53% compared to 2022, the interest and commitment of investors in this segment was undoubtedly decisive in mitigating the decline in investment activity in 2023.

With the primary KPIs surpassing pre-pandemic figures, the sector has proven itself to be essential for the dynamics of national economy, attracting strong interest from international investors who recognize Portugal as a competitive and quality tourism destination.

Total Real Estate Investment Volume by Sector (M€)



Distribution of Total Real Estate Investment Volume by Sector (M€)



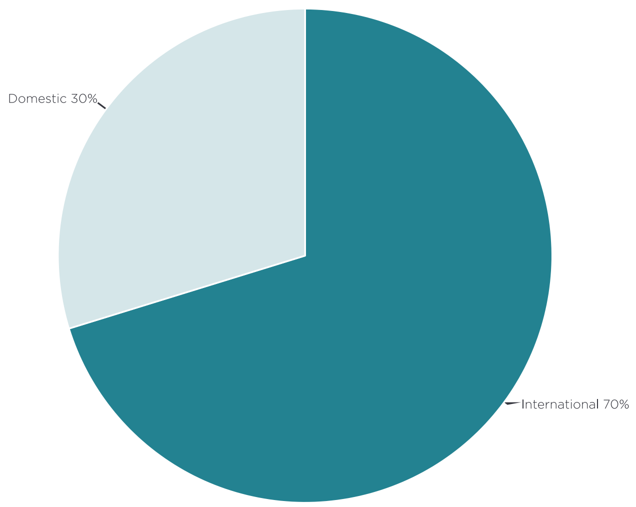
Source: Savills

The largest transaction of the year was the sale of the Dom Pedro Hotels Portfolio for 250 million euros to Arrow Global. Another noteworthy deal was the sale of the Palmares Ocean Living & Golf Project for an estimated value of 112 million euros, also to Arrow Global.

Capital Origin 2023

In total, 77 investment transactions were closed in 2023. 56% of the total number of transactions were carried out by domestic investors, with an average investment ticket of 11 million euros. Real estate investment funds, family offices, and private investors directed their capital towards the acquisition of assets in the retail, hospitality, and office segments.

Cross Border vs Domestic Capital



Source: Savills

With a market share of 70%, the value of cross-border capital investments reached an approximate total of 1.1 billion euros. These investments primarily originated from the United Kingdom and the United States and were channeled towards sectors such as hospitality, retail, healthcare, and student housing.

The latter two segments capitalized on the robust market fundamentals that the domestic market offers for their expansion.

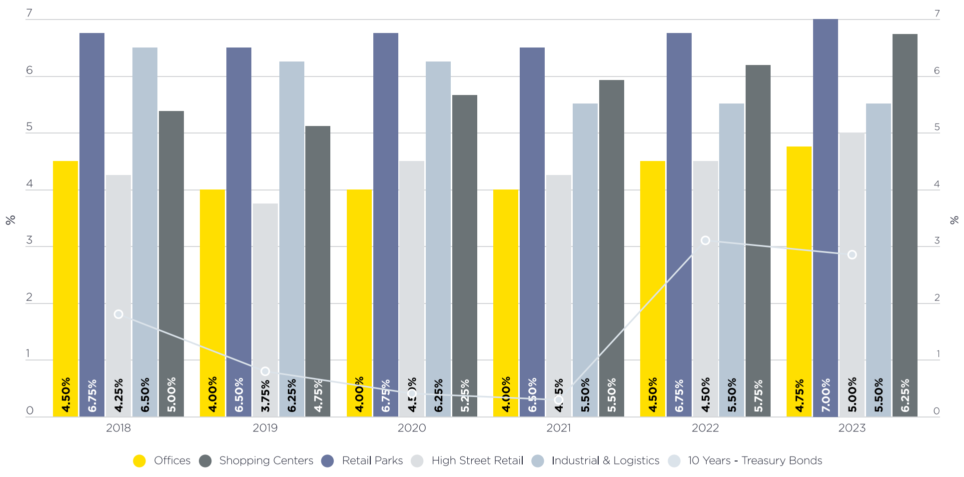
What to expect in 2024?

The speed of recovery in the investment market in 2024 is directly linked to the moment when we reach the peak of rising interest rates, leading to greater stability of economic indicators and increased confidence among agents.
Predictions point to six interest rate cuts of 25 basis points in 2024, beginning at the end of the first quarter of 2024, prompting investors to adopt new strategies that once again adjust to a more stable macro-financial scenario.
This strategic adjustment will likely lead to a more diversified approach to investment, with a focus on sectors that demonstrate resilience and potential for growth despite market fluctuations. We should continue to observe an investment risk diversification strategy, directed towards sectors like residential and student housing as well as continued interest of investors in hospitality and retail segments based on the resilience and strong performance of these sectors. .

In 2023, the demand for higher returns from investors, caused a general upward pressure in all segments between 25 – 50 basis points. In the first half of 2024, we may still witness upward adjustments, with a trend towards stabilization in the second half of the year.

Even though there was a sharp decrease in investment activity in 2023, Portugal proved to be an attractive investment destination with quality product, having achieved less noticeable price adjustments compared to other markets. Family offices and private equity investors will continue in 2024 to be less exposed to the still volatile economic environment, potentially continuing to increase their exposure to the real estate market.

Evolution of Prime Yields by Sector



Source: Savills

03 PBSA

PBSA – RIDING THE WAVE

With an annual increase in 2023 of 3% in the number of students enrolled in higher education, the demand for student accommodation remains robust and on an upward trajectory. The scant supply of accommodation for students is one of the major challenges for the Portuguese government, universities, families, and students. A very scarce quality supply with professionalized management services corresponds to a demand that has been increasing at a steady pace from year to year.

In the sum of the cities of Lisbon and Porto, there are only 3,800 beds, in supply provided by university residences, serving only 2% of the total number of students enrolled in higher education.

The entry of Purpose-Built Student Accommodation (PBSA) operators in the national market is a relatively recent. Currently, there are 23 operators present in Portugal, providing approximately 9,600 beds to the student population. Over the past five years, this emerging alternative asset class has attracted a total investment volume of approximately 721 million euros. Xior, Brookfield, Catella, Round Hill Capital, AGEAS Portugal, Stoneshield and Milestone are key players that have already invested in this segment in Portugal.

This highlights the increasing demand for assets that can generate consistent income, making them attractive to both local and international investors. With their focus on stable income and long-term appreciation, these investors are actively seeking out assets that fit their investment criteria. This trend is expected to continue as Portugal's economy continues to grow and attract more international investment.

TOTAL INVESTMENT | LAST 5 YEARS

721 M€

4% CAGR total students | last 3 years

CURRENT PROVISION RATE (%) | PUBLIC AND PRIVATE SUPPLY

Lisbon: **5%**

Porto: **8%**

Coimbra: **6%**

Aveiro: **11%**

Braga: **4%**

Covilhã: **15%**

04 Offices – Lisbon and Porto

Office market in 2023

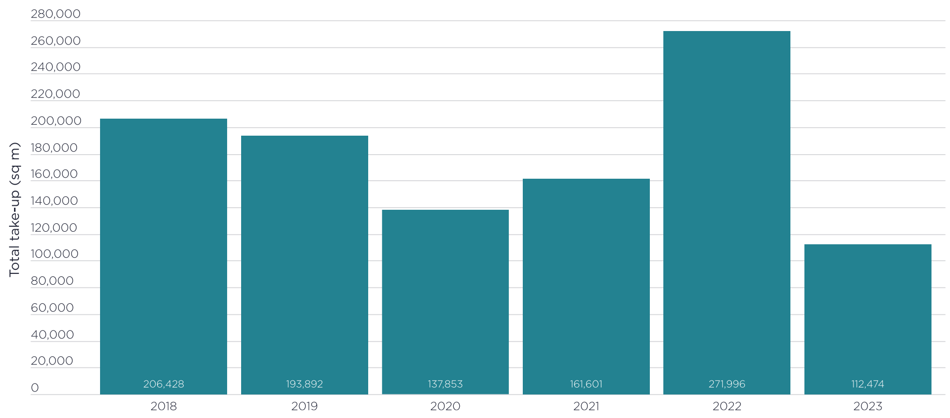
Lisbon and Porto

In 2023, Lisbon's office market recorded a total take-up of 112,474 sq m, indicating a decrease of -59% as compared to the year 2022.

Porto's market registered 50,048 sq m of total take-up, observing a year-on-year descent of -14%. Amidst an inflationary scenario with significant repercussions on the rise of debt costs, occupiers demonstrated increased caution leading to a deceleration in their decision-making processes regarding office expansion or relocation.

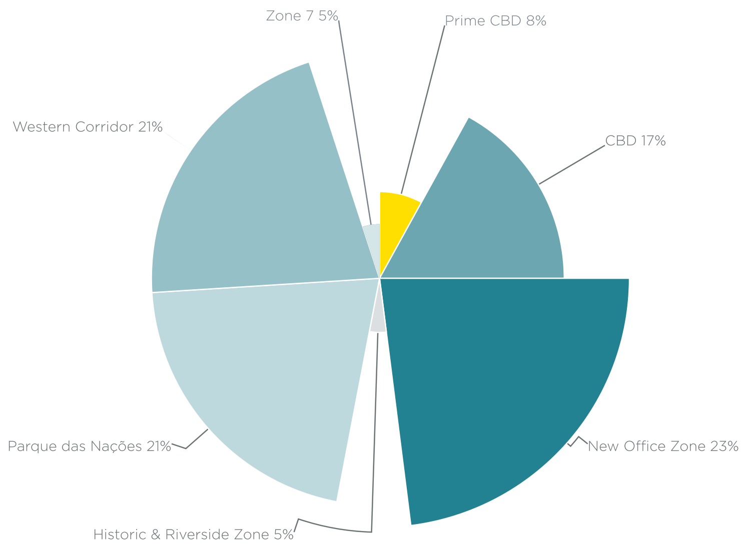
In Lisbon, take-up was 36% below the five-year average, with sharp declines in occupancy across all market zones. However, it is important to emphasize that this result is heavily impacted by a close comparison with the historical figures of 2022, a year where large-scale pre-leasing operations were registered.

Lisbon
Evolution of annual take-up

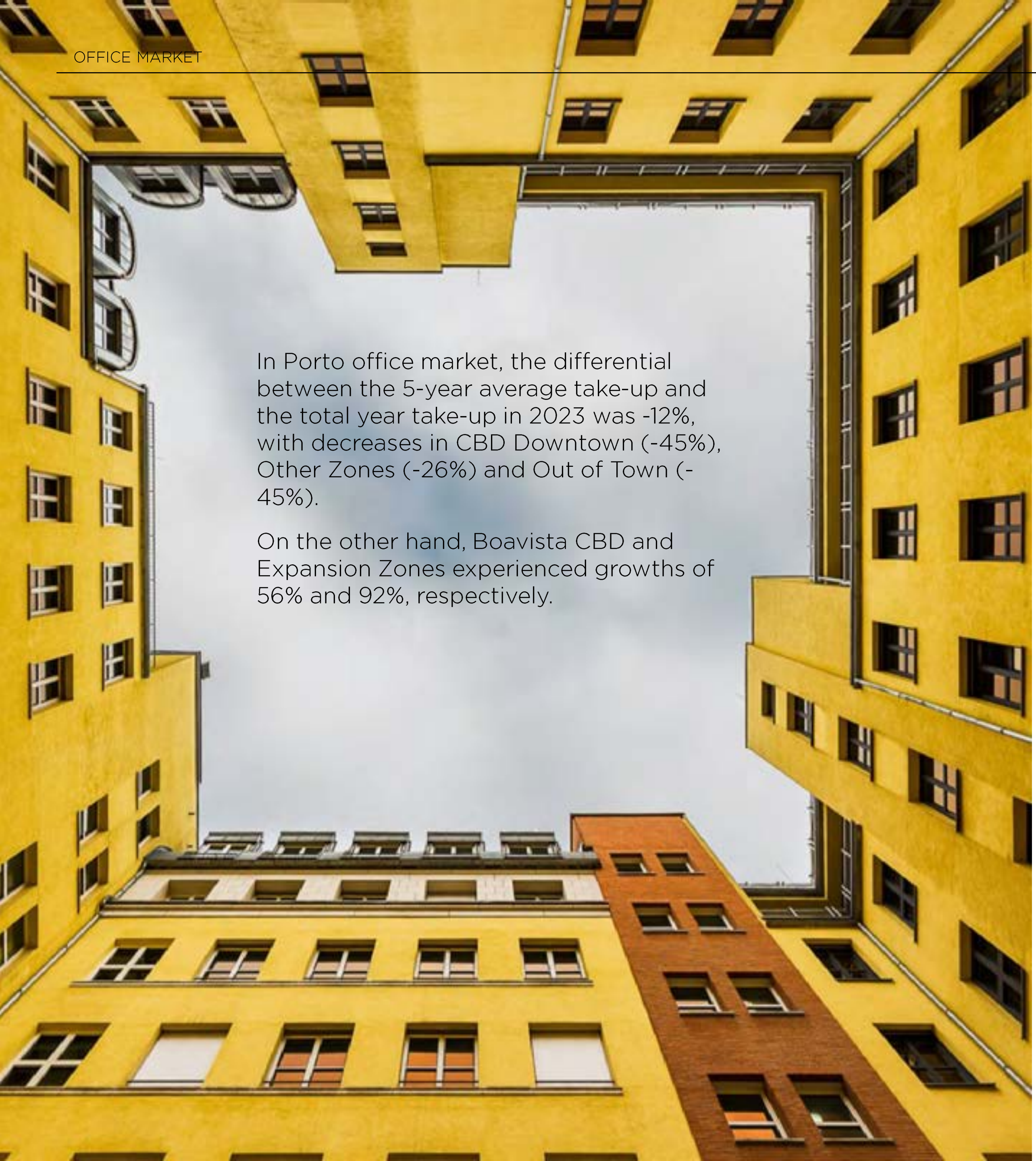


Source: Savills | LPI

Lisbon
Distribution of take-up by market zone



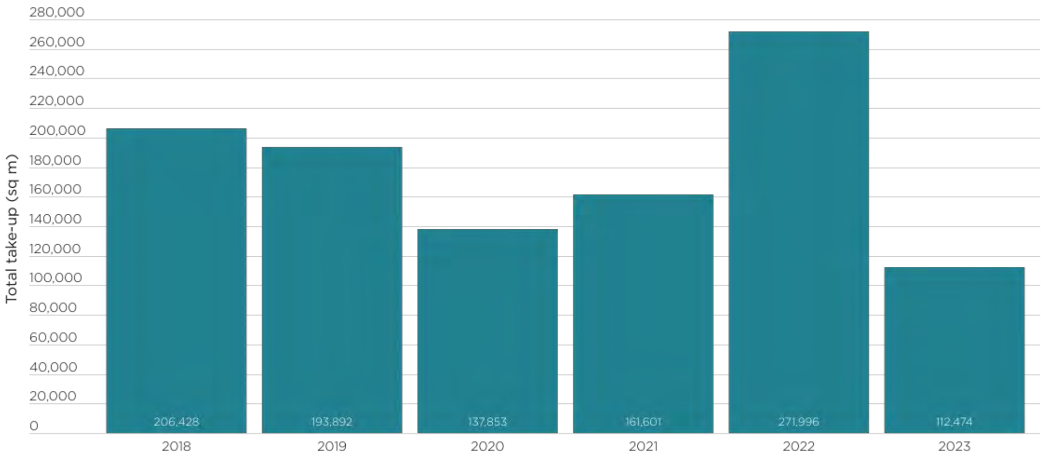
Source: Savills | LPI



In Porto office market, the differential between the 5-year average take-up and the total year take-up in 2023 was -12%, with decreases in CBD Downtown (-45%), Other Zones (-26%) and Out of Town (-45%).

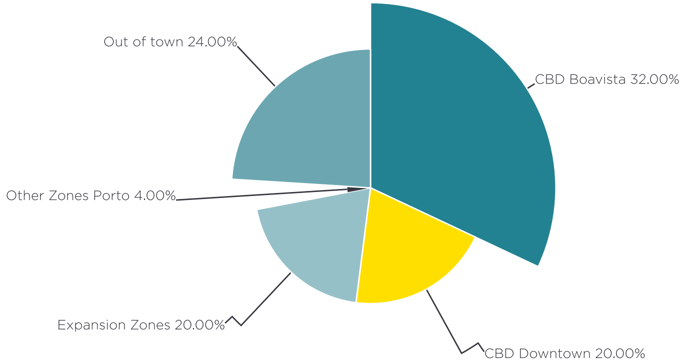
On the other hand, Boavista CBD and Expansion Zones experienced growths of 56% and 92%, respectively.

Porto
Evolution of annual take-up



Source: Savills | PPI

Porto
Distribution of take-up by market zone



Source: Savills | PPI

What to expect in 2024?

The rise in the vacancy rate signifies a shift in how businesses are choosing their office space.

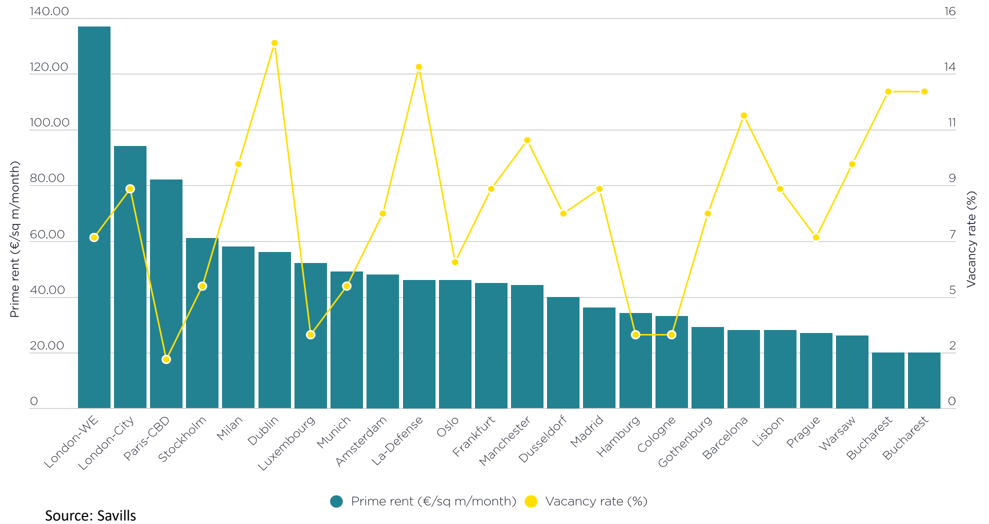
2023 concluded with a vacancy rate of 9.33%, an increase from the 8.25% recorded at the end of 2022. This growth is a direct result of the 'flight to quality' trend, with businesses seeking out prime location offices that meet ESG & Sustainability criteria.

The demand is strongly led by multinational corporations choosing Portugal as their expansion destination, attracted not only by more competitive salary costs, but more than ever by the lifestyle that cities like Lisbon and Porto offer to their residents.

The internationalization of Lisbon and Porto have been attracting businesses from all sectors of activity, with a particular emphasis on companies dedicated to Technology, Consulting and Financial Services sectors. In 2023, the TMT & Utilities sector accounted for 24% of the total absorption volume in the city of Lisbon. In Porto, this sector has been a significant catalyst for demand, with Porto now considered a premier destination for Shared Services Centres.

In 2023, the TMT & Utilities sector accounted for 30% of the total absorption volume in the Porto office market. This rise can largely be attributed to the city's vibrant dynamic, which provides many opportunities for businesses looking to expand or establish new offices.

European Office Market
Prime rent vs Vacancy rate

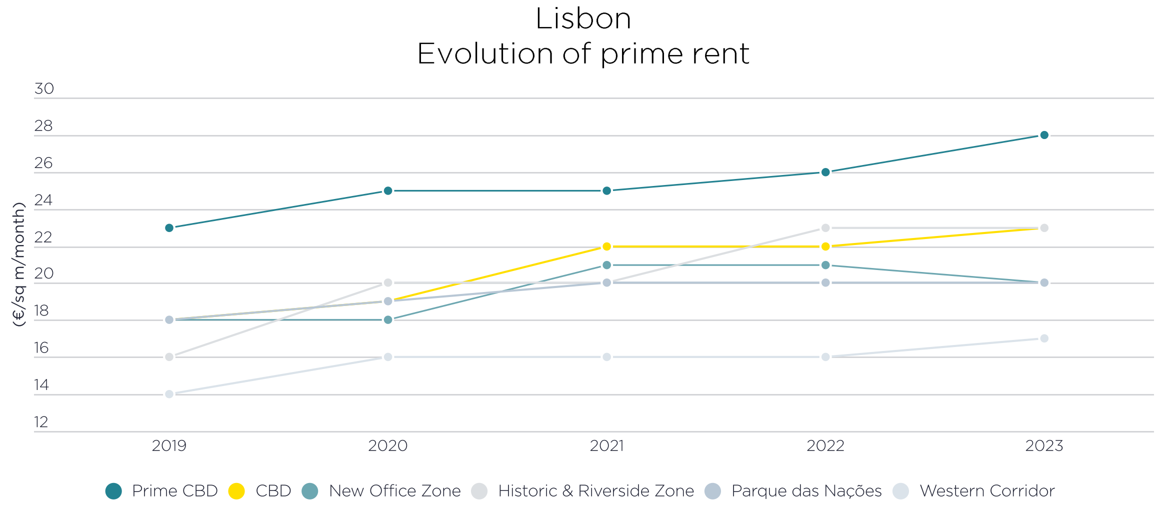


Source: Savills

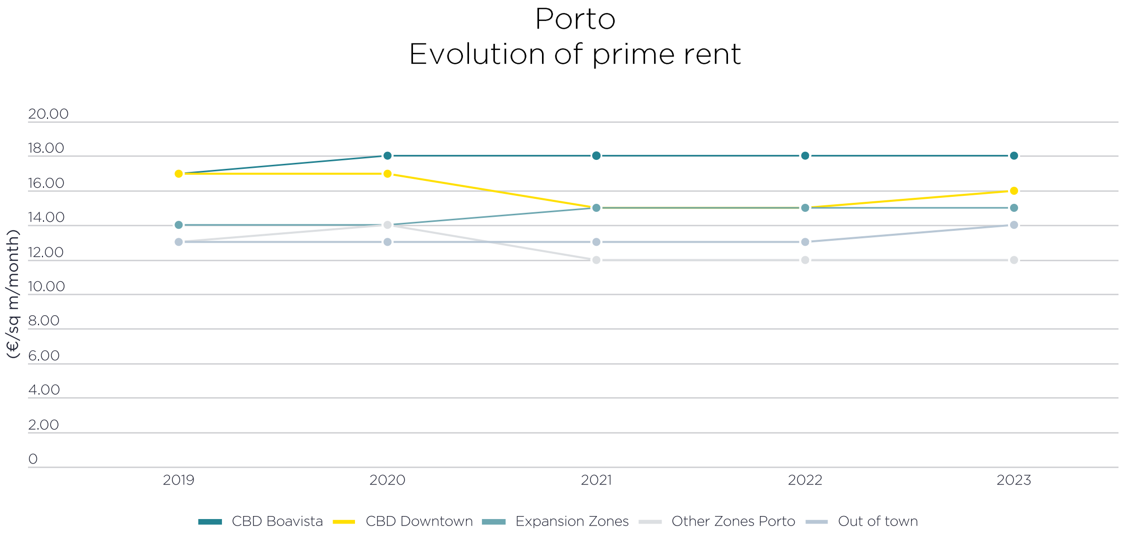
Prime rent is on an upward trajectory: A scarce supply coupled with highly competitive demand puts prime rent on an upward path.

In the Lisbon office market, prime rent reached €28/sq m/month, a rise of 8% compared to 2022, evidence of the robustness of all market fundamentals which, even in an extremely challenging year, remained attractive and highly competitive.

In the Porto market, prime rent closed at €18/sq m/month. However, the new projects in the pipeline, characterized by their high degree of demand in terms of certification, comfort and sustainability, also offering size and attractive locations, will surely gather a strong attractiveness boosting a rise in prime rent, with some of the new projects already reflecting an asking rent of €20/sq m/month.



Source: Savills



Source: Savills

In the next two years, over 280,000 sq m of new spaces will be completed in Lisbon's office market.

In 2023, 42,093 sq m of spaces were completed, a decrease of 63% compared to the GLA completed in the year 2022. Overall, five buildings were completed with both Aura (EXEO project) and K Tower buildings, located in Parque das Nações accounting for 73% of the new GLA.

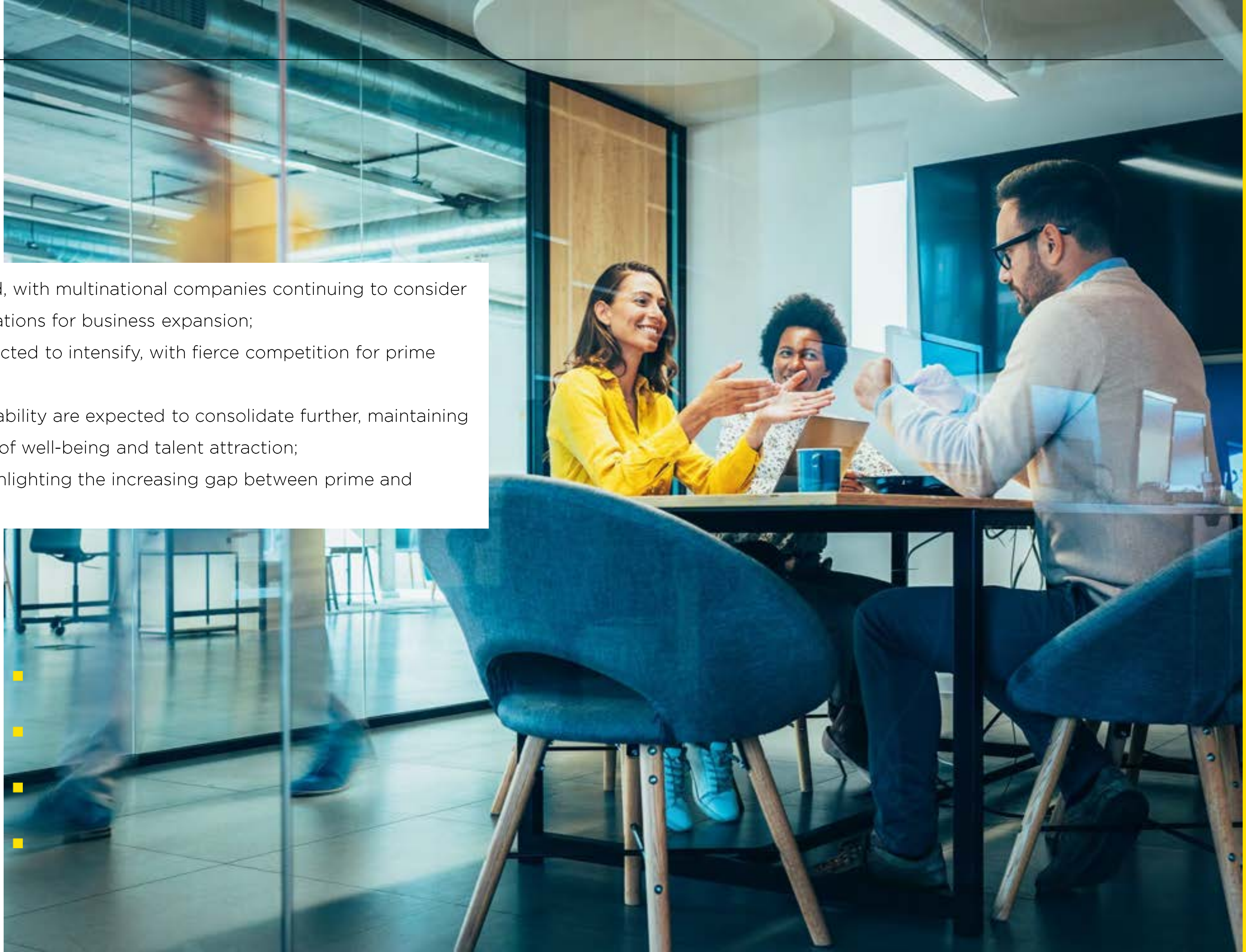
Approximately 45% of the new GLA expected for 2024 is already owner-occupied. The biggest projects, Oriente Green Campus with 40,000 sq m and the Echo Building (EXEO project) with 21,474 sq m and 100% intended for own occupation, are a testament to the commitment to the Lisbon market and the fundamentals that underpin this market, grounded in a demand that remains robust and increasingly demanding in terms of occupation criteria.

In 2024, the city of Porto can expect over 90,000 sq m new office spaces.

In 2023, six projects were completed, adding approximately 39,000 sq m to the stock. The D.M2 building in the CBD Boavista Zone and ICON Offices in the Expansion Zone contributed most significantly to new GLA.

The pipeline for 2024 amount to a total of 52,062 sq m, of which 41% are already pre-leased or directed towards own occupation.

Main trends 2024



- Sustained level of dynamic demand, with multinational companies continuing to consider Lisbon or Porto as potential destinations for business expansion;
- The 'Flight to Quality' trend is projected to intensify, with fierce competition for prime locations and spaces;
- Policies focusing on ESG & Sustainability are expected to consolidate further, maintaining a continuous emphasis on aspects of well-being and talent attraction;
- We foresee a rise in prime rent, highlighting the increasing gap between prime and secondary products.

05

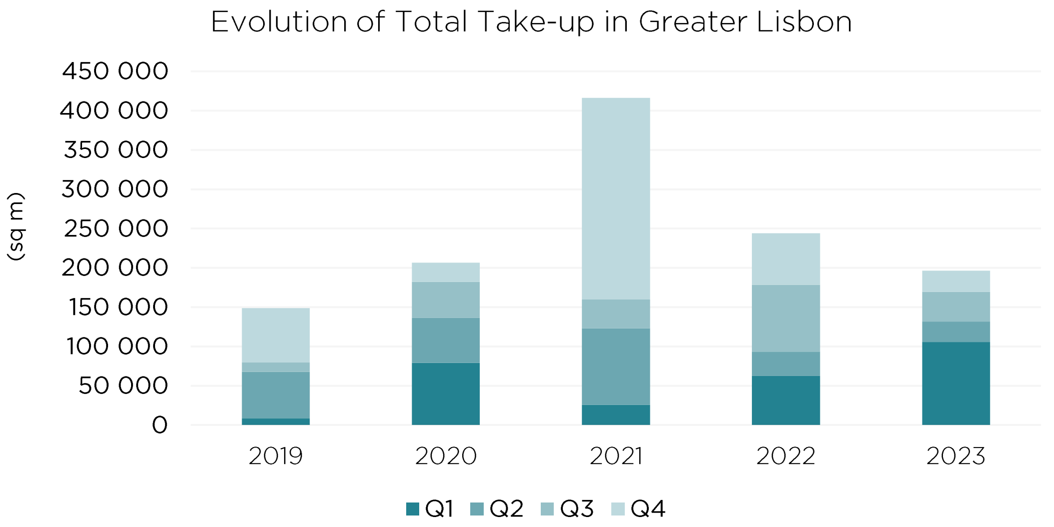
Industrial & Logistics

Industrial & Logistics Market in 2023

In 2023, the industrial and logistics market in Portugal recorded a total take-up of approximately 430,000 sq m of, with near 300,000 sq m dedicated to logistics operations. After two years of historic take-up volumes, there was a decrease of -16% in 2023. Following a strong first semester, the occupancy activity slowed down in the second half of the year.

In a highly characterized market with high demand and limited supply, the logistics market faces a significant challenge in responding efficiently to an increasingly expressive and international demand. This is driven by the rise in e-commerce operations and the implementation of expansion and reorganization strategies.

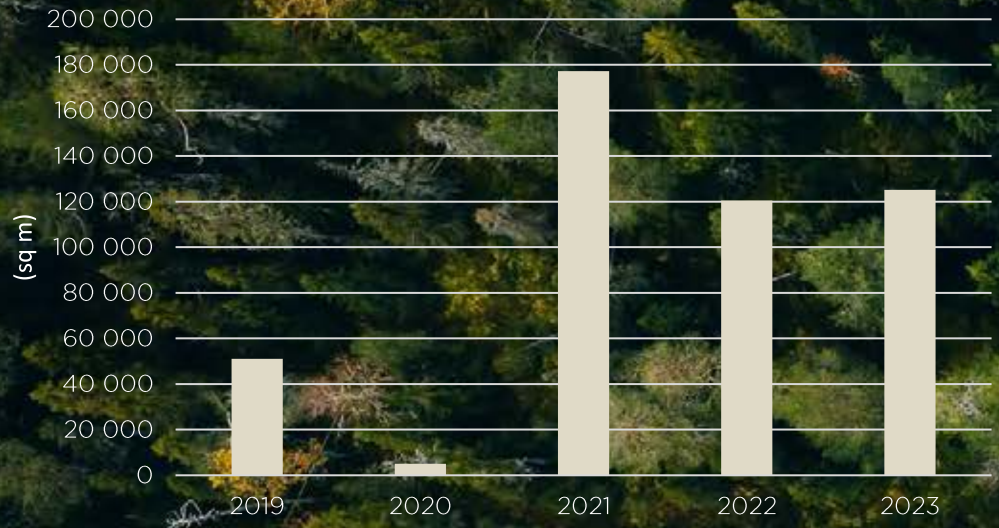
In the Greater Lisbon area, 70% of the GLA occupied in 2023 was in logistics spaces, of which 85% were spaces with a GLA above 5,000 sq m, occupied by distribution and logistics operators. The Alverca-Loures and Azambuja - Vila Franca de Xira axes were the preferred areas, accounting for 56% of the total GLA occupied in 2023.



Source: Savills analyzing IPI

In the Northern region and Porto, the total take-up volume reached 125,111 sq m, representing a 4% increase compared to the results achieved in 2022. The logistics segment accounted for 65% of the total closed operations volume.

Evolution of take-up in Porto | North region



Source: Savills analyzing IPI

Logistics at the forefront

With a logistical stock of approximately 3.3 million sq m in the Greater Lisbon market, the demand for products has become increasingly competitive, particularly when it comes to prime assets suitable for tenants who now adhere to standards and specificities related to ESG & Sustainability.

The logistics sector is witnessing an unprecedented dynamism. With the transition of supply chain management models from a 'just in time' approach to a more resilient 'just in case' strategy, the demand for logistic space is on an upward trajectory. Despite the willingness to invest, the logistical market is facing a significant challenge: the scarcity of available land. In the next year, new projects entering the market are expected to be occupied almost immediately, driven by the rapid growth of the logistics operators' sector in Portugal and their clients.

On the other hand, according to Savills' Global Warehousing Costs, Lisbon is the European capital where rents are most competitive.

The new constructions not only boast superior specifications, but they also pose significant considerations in the context of ESG. Better specifications translate into an evident increase in operational efficiency. However, ESG introduces two major impacts: the enhancement of the experience and well-being of all who operate in the warehouse, as well as a reduction in ecological footprint.

Demand drivers

LOGISTICS SECTOR

76%

INDUSTRIAL SECTOR & OTHERS

24%

The first point is extremely relevant as it directly affects workplace well-being, while the second is gaining increasing relevance as occupants have ambitious goals to reduce their ecological footprint.

E-commerce activity is a major driver of the logistics sector, leading to a reassessment of supply chain strategies and the need for proximity with consumers. In the inflationary context, increasing stocks acts as a tailwind for companies' margins; the earlier they provision, the more competitive their purchase price becomes.

This "just in case" stock management strategy requires more space and strategically located storage facilities to ensure a flawless supply chain, thereby promoting a transformation in the Portuguese logistics real estate sector. It's a dynamic approach that adapts rapidly to market demands and mitigates the risk of scarcity in critical resources.

In response to the needs of last-mile delivery, the market is currently developing over 100,000 sq m across various projects in urban areas of Greater Lisbon, ensuring the speed demanded by consumers and guaranteeing cost-effective distribution for this type of operations.

Also, large box logistic zones are responding to the movement of stock increase through natural expansion. The construction of new logistics parks allows occupants to offer the cost efficiency of warehousing operations. In Greater Lisbon and Greater Porto, there are approximately 230,000 sq m under construction with already leased or reserved areas in the various projects.

Main Pipeline Projects

Montijo |

Alcochete axis

90,000 sq m

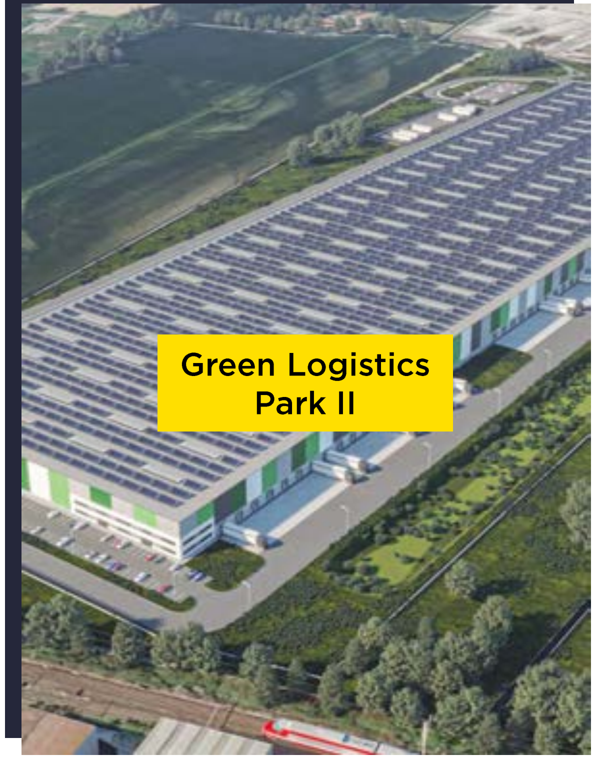
2nd quarter 2024

Valongo |

Alfena axis

75,000 sq m

2nd Quarter 2024



Azambuja |

Vila Franca de Xira axis

90,000 sq m

2nd Quarter 2025

Alverca |

Loures MARL axis

85,000 sq m

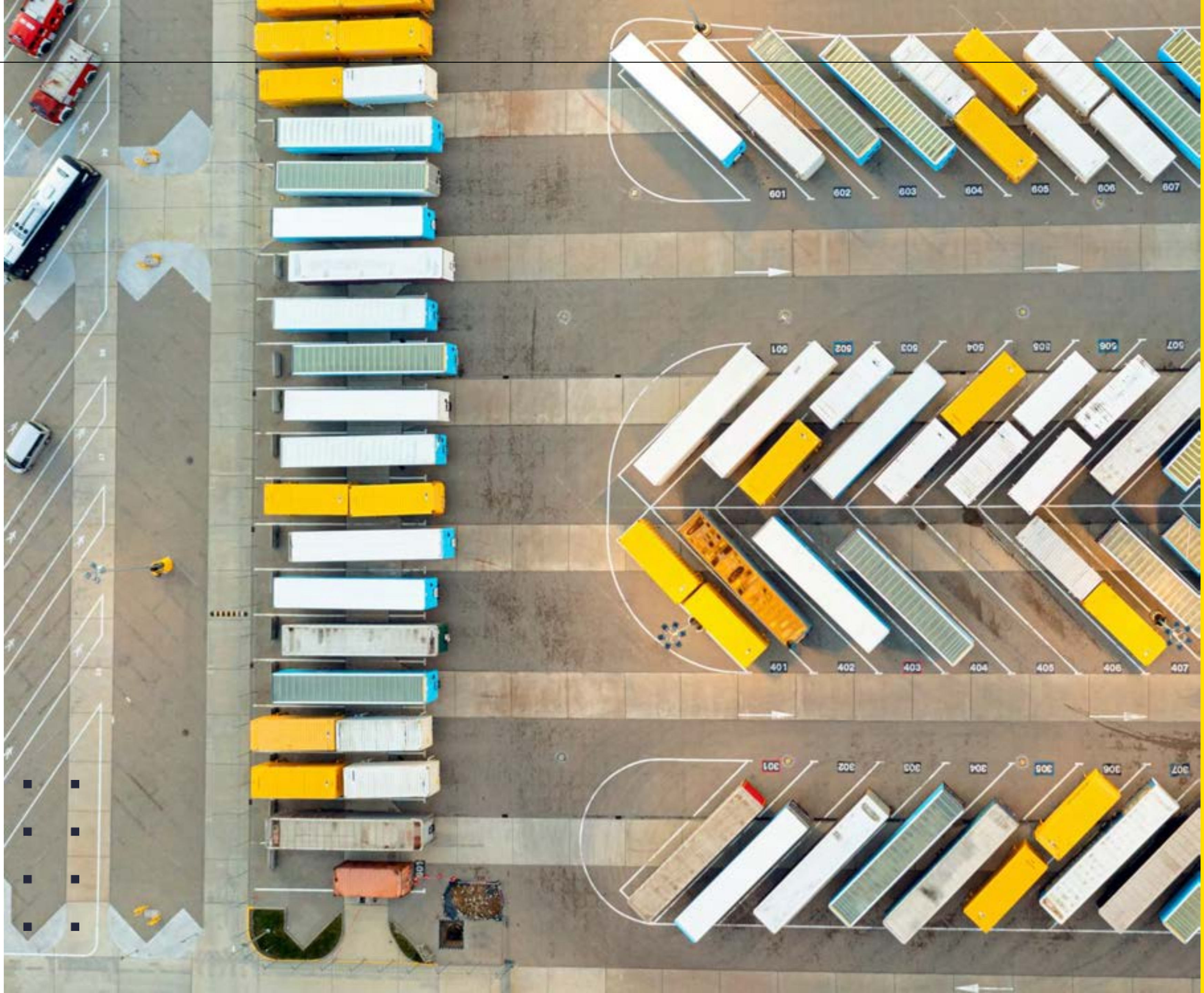
1st Quarter 2026

From stagnation to an upward slope: a shortage of supply, hot demand and new projects make up the perfect mix for rising rents.

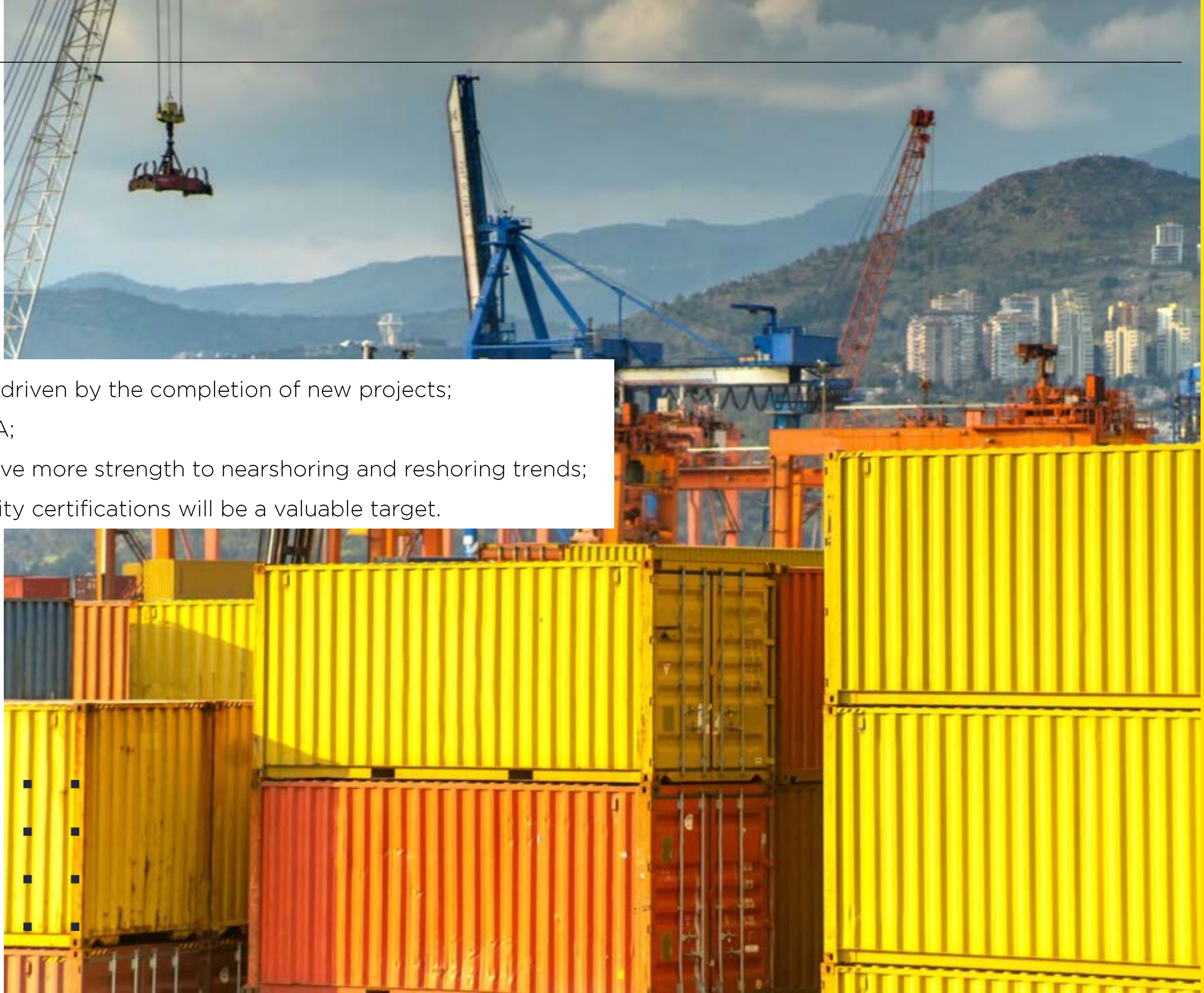
Considered the least sexy segment of real estate for years, the industrial & logistics market has made a full comeback since the pandemic. Over the last three years, rents have risen in all Greater Lisbon's logistics centres. The prime Azambuja - Vila Franca de Xira axis has seen a year-on-year growth of 18% in 2023, setting the rent at €5,000/sq m/month.

In the Porto market, prime rents closed at 4.65€/sq m/month, remaining stable compared to the previous year.

For 2024, rents will continue to rise, driven by the completion of new projects. However, we mustn't forget that a large part of the national logistics stock is made up of products that need to be urgently and compulsorily updated to stay in the race and become an eligible product for the current and challenging demand.



What to expect in 2024?



- Recovery in take-up volume, driven by the completion of new projects;
- Entry of new speculative GLA;
- International conflicts may give more strength to nearshoring and reshoring trends;
- Prime assets with sustainability certifications will be a valuable target.

06 Retail

Retail Market in 2023

2023 proved to be a challenging year for the national retail market. Against all the macroeconomic conditions that negatively pressured private consumption, sales volumes decreased, with households less willing to spend.

Over the course of 2023, the turnover index in trade contracted by 0.8%, after experiencing a growth of 4.7% in 2022.

Source: INE

While tourism served as a catalyst for the retail sector, particularly in urban centres, Portuguese families have started saving more again, with available income increasing faster than consumption. The contraction of private consumption ultimately influenced the opening strategies of brands, which in same cases opted for a 'wait and see' strategy in the face of economic uncertainty.

At the same time, an increased propensity for saving intensifies competitiveness in the sector, making it more imperative than ever that brands focus their efforts on strategic positioning their brands. But despite a more challenging environment, some retail sectors continued with their expansion plans and thrived.

Food distribution stores, and low-cost non-food retail concepts saw growth and proved to be the most resilient sectors in 2023.

Also, the need for proximity retail has been strengthening, with consumers increasingly valuing ease, convenience, and accessibility. Alongside high street store formats, Shopping Centres and Retail Parks have maintained their success in 2023. On one hand, we have Shopping Centres regaining their footfall and turnover volumes, albeit gradually.

Either targeting area expansion, renovation or requalification, shopping centres in Portugal continue to bet on modernizing their facilities and enriching the experience they offer to buyers. On the other hand, we continue to observe a renewed interest both from brands, developers, and investors in the Retail Parks format with new projects already in the pipeline, such as Salinas Park in Alverca which will result from the conversion of an old industrial building.

This highlights the current challenges that the retail market is grappling with, as it must adapt to consumer behavior shifts. More than ever, developers and brands are focusing their efforts on offering unique experiences and tailored services to encourage loyal buyers, while also attracting the interest of new brands.

Several brands targeted the national market for expansion, like Normal, GiFi, and Pepco that put Portugal on their map in 2023.

High street retail 2023

Tourist market increases supply

Undoubtedly, the momentum of the retail market continues to be driven by the growth of the tourism sector. In 2023 alone, in the city of Lisbon, Savills accounted for the opening of 321 new high street stores, 56% of which were targeted towards the restaurant sector and 24% dedicated to the Fashion & Accessories sector. Gleba, Honest Greens, Nude Project, Normal, IKEA, Manteigaria are just a few of the brands.

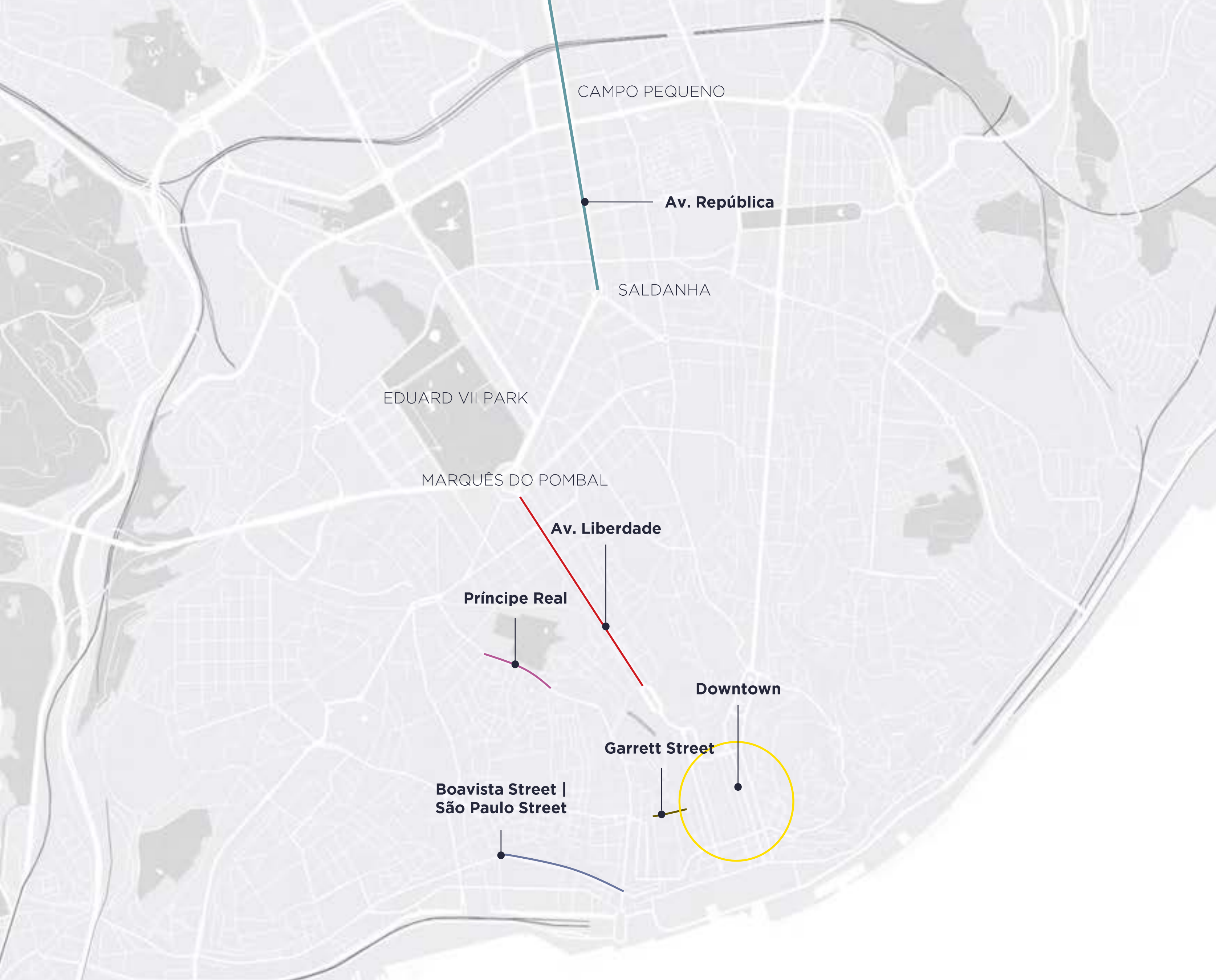
The city of Porto was also very active and counted 83 new high street retail shops, with the catering sector accounting for 59 per cent of the total new supply. Zegna, Normal, Fnac, Pepco and Flying Tiger are now present on the streets of Porto, which saw an increase in interest from low-cost brands in this location in 2023.

Scarce supply and dynamic demand maintain rental values

In high street retail, the prime retail axis - Chiado, closed the year in 135€/sq m/month, an increase of 4% compared to 2022.Demand in this prime area will remain very dynamic and strongly motivated by the high tourist flows that also extend to downtown historical area.

Av. Liberdade should keep its prime rent stable at 125€/sq m/month.

There is some flexibility when it comes to negotiating asking prices, especially towards bigger areas, where proposals for step-up rents and longer grace periods could be agreed.



High Street Retail Lisbon City **Prime Rents**

2023

	Av. Liberdade	125€/sq m/month
	Downtown	135 €/sq m/month
	Garrett Street	135 €/sq m/month
	Príncipe Real	70€/sq m/month
	Av. da República	65€/sq m/month
	Boavista Street | São Paulo Street	80€/sq m/month

Source: Savills

High Street Retail Porto City **Prime Rents**

2023

Santa Catarina Street	80€/sq m/month
Boavista	25€/sq m/month
Aliados	50€/sq m/month
Clérigos	40€/sq m/month
Flores	70€/sq m/month
Matosinhos	15€/sq m/month
Foz do Douro	20€/sq m/month

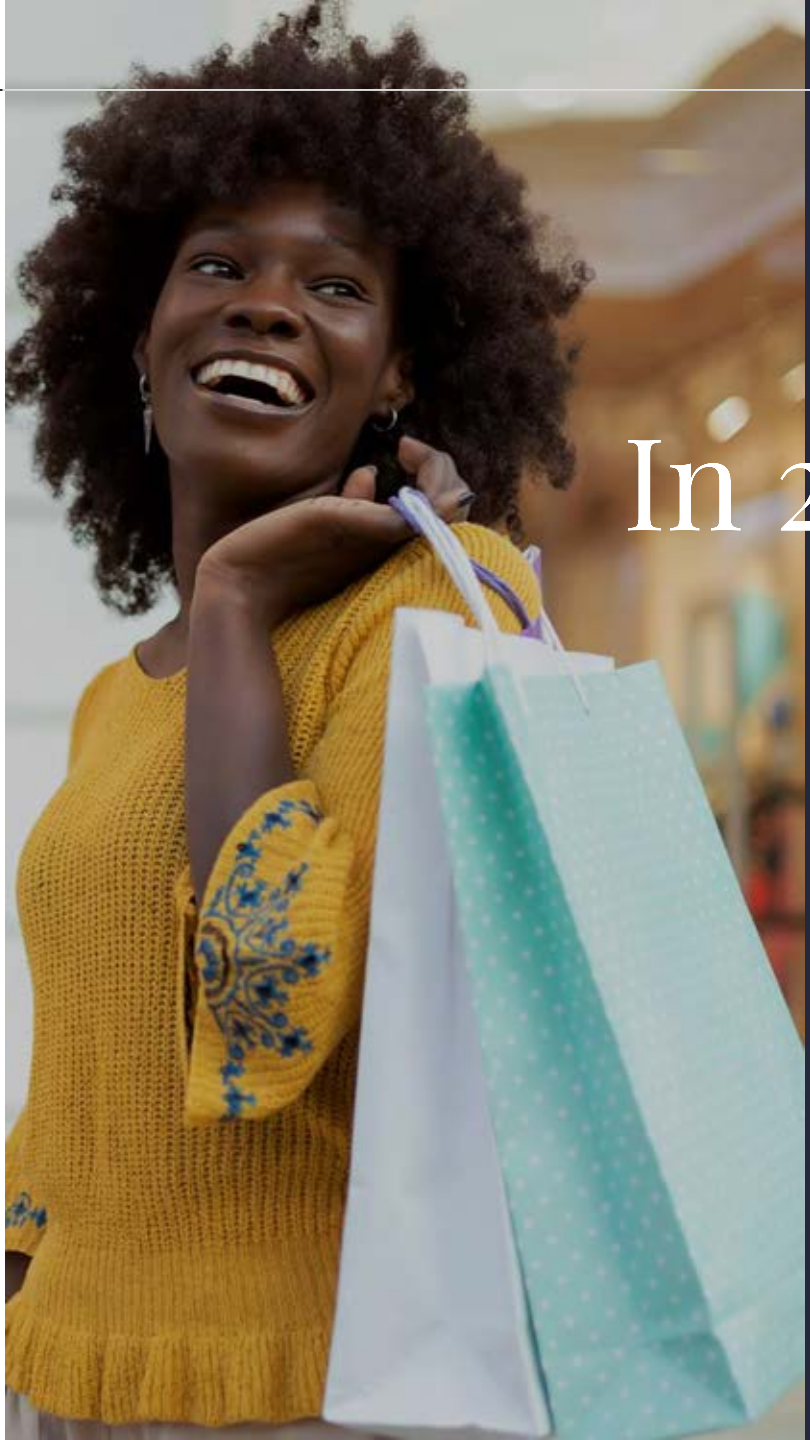
Source: Savills

But while the sector is innovating, there are still concepts that remain the same

With the continuing lack of available supply, demand has begun to extend to more secondary centres.

. In this natural sequence, one of the trends that began to be observed a few years ago has flourished. From the luxury concepts of Av. da Liberdade to the eclectic shops of Príncipe Real, neighborhood retail is already a well-established concept that is much loved by consumers and residents alike.

The growth of convenience retail has been one of the most consistent trends in the retail market in recent years. The scarcity of supply in the city centre and on the so-called prime axes now dictates that operators look to other, more secondary locations, most of which are part of a more significant residential cluster that constitutes a critical mass for the opening of retail concepts that respond to the consumption needs of this population.



In 2023...

MAR SHOPPING MATOSINHOS:

Expansion of commercial mix

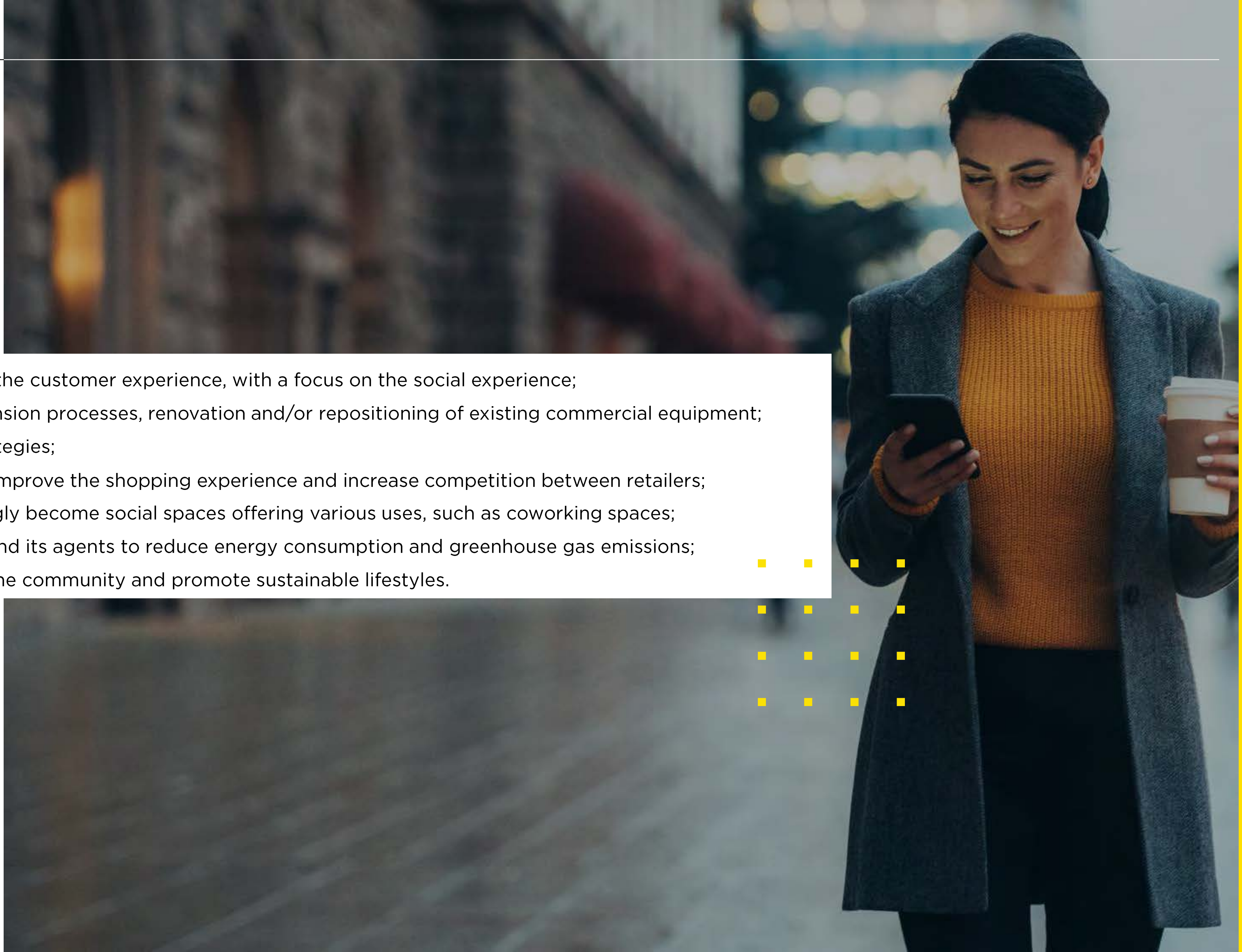
ALBUFEIRA TERRACE:

The project involved reconfiguring the entire interior, resulting in a more sophisticated space

RIA SHOPPING:

Repositioning strategy, with more than 4,000 square metres of new brands placed by Savills such as Dominoá Pizza, JYSK, Fitness Up, Yoyoso and PEPCO

What to Expect in 2024?



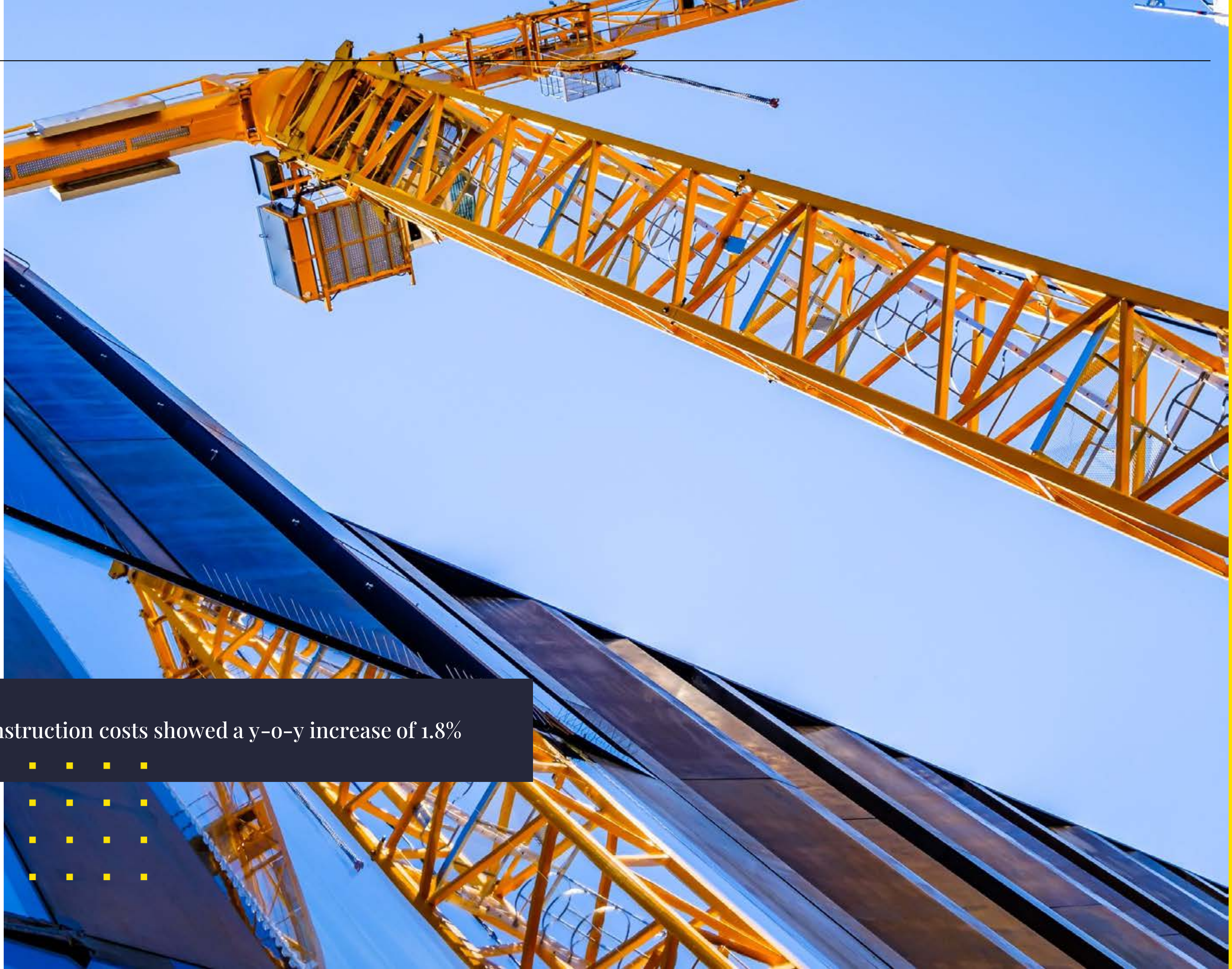
- Focus on unique concepts and the customer experience, with a focus on the social experience;
- Maintaining investment in expansion processes, renovation and/or repositioning of existing commercial equipment;
- Prevalence of omnichannel strategies;
- Use of Artificial Intelligence to improve the shopping experience and increase competition between retailers;
- Shopping centres will increasingly become social spaces offering various uses, such as coworking spaces;
- General concern of the sector and its agents to reduce energy consumption and greenhouse gas emissions;
- Establishing agendas to serve the community and promote sustainable lifestyles.

07 Residential

Residential Market 2023

CONSTRUCTIONS COSTS:

The challenging scenario of raw materials shortage that arose during the pandemic, thanks to the oscillations in demand and supply chain disturbances due to lockdowns, immensely contributed to rise of price of construction costs. Furthermore, the outbreak of the conflict in Ukraine influenced to the increase in prices of gas, electricity and petrol prices, as a consequence of the European sanctions imposed on Russia. In January 2023, the average year-on-year price increase of constructions costs reached its annually peak, getting as far as 11%. At present, the prices of raw materials have mainly stabilised. However, the current challenge is the cost of labour, which can be very much attributable to its scarcity.



Overall, by the end of December 2023, construction costs showed a y-o-y increase of 1.8%

Residential Market 2023

Interest rates, new housing loans and how the current economic scenario has affected the residential market:

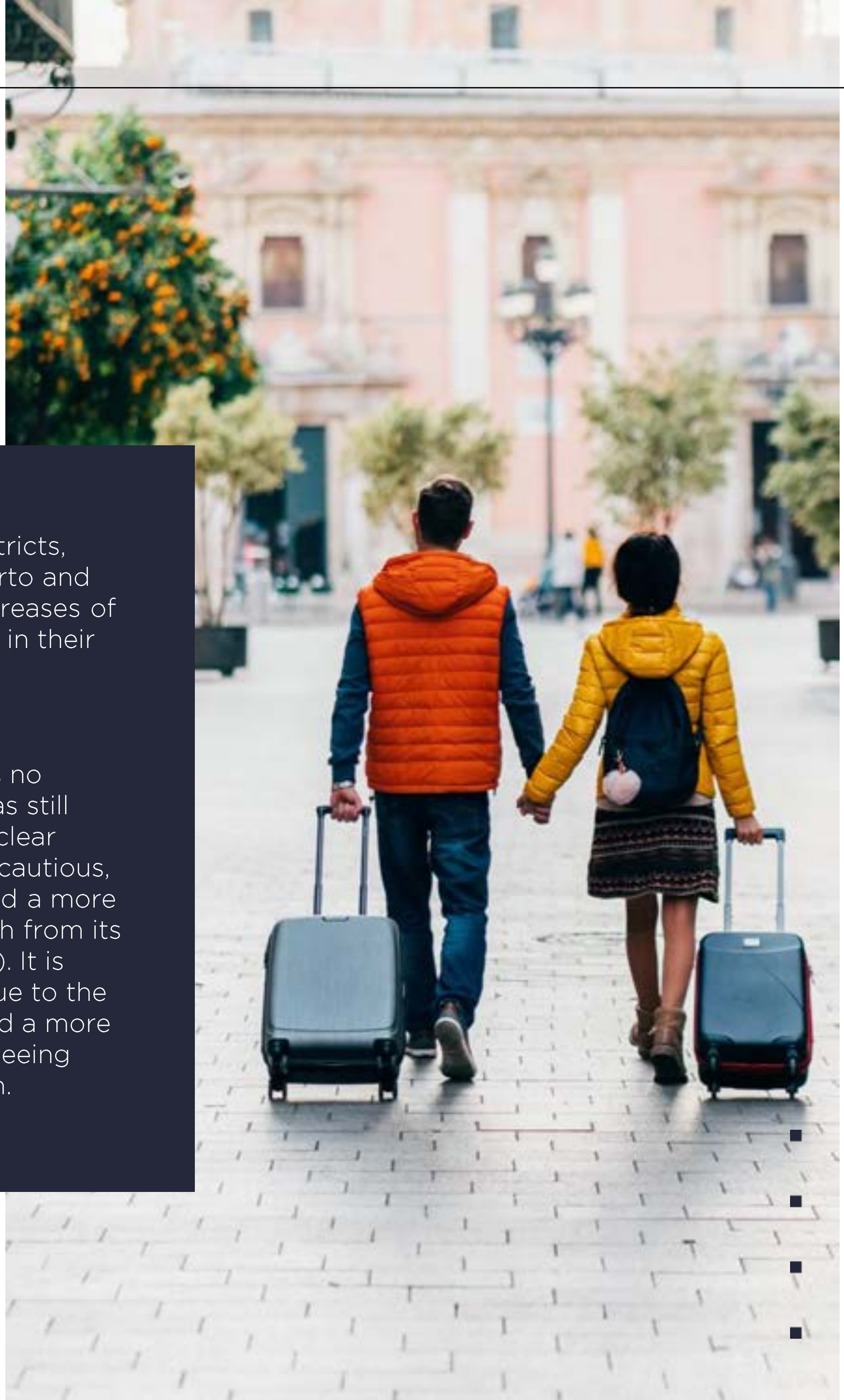
2023 was a record-breaking year in terms of amounts of new loans granted to individuals for house purchase, having reached a total a 21.6B€, which reflected a 34% y-o-y. September alone accounted for over 2 billion euros in loans, the highest amount ever recorded.

On the other hand, when it comes to the average interest rate of loans for house purchase, it was possible to observe an increase from 3.24% in December 2022, to a peak of 4.27% in September 2023, ending the year at 4.12%. This rate remained higher than the average in the euro area. However, the variation decreased from 0.36 pp in December 2022 to 0.12 pp in December 2023.

The actual impact of these increases in interest rates might vary due to several reasons, such as, the scale of the rate rises, the current economic scenario and regional environment, for example. From a potential investment slowdown, directly affecting new construction, which negatively contributes to increases in housing prices, to a reduction in house sales, due to its unaffordability.

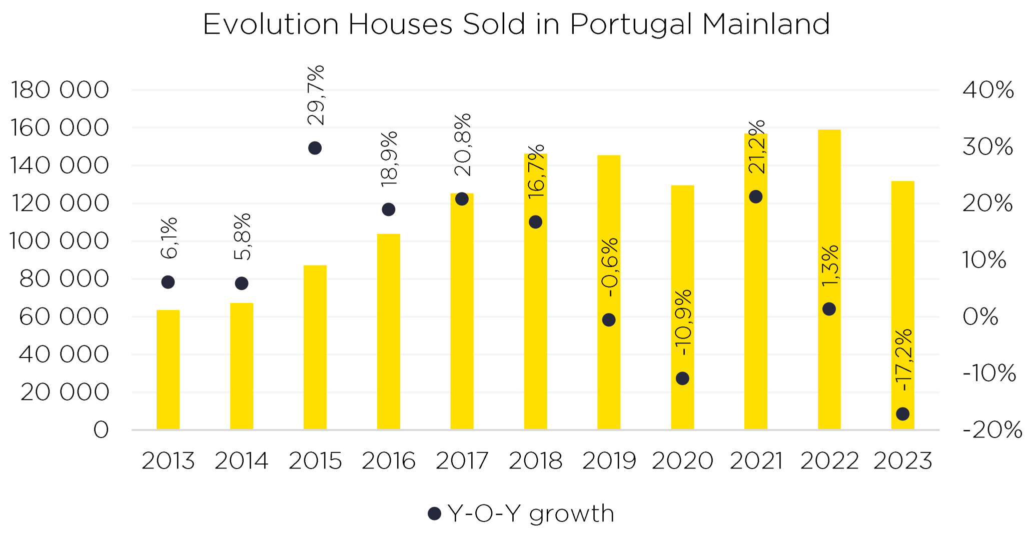
Throughout 2023, there was a considerable rise in new business loans for house purchase with mixed interest rate, having gone from reflecting only 16% of the granted loans in December 2022, to 71% in December 2023, followed by variable and fixed rates, with 24.3% and 4.7%, respectively.

LICENSING AND HOUSE SALES:



Portugal mainland and its main districts, namely Greater Lisbon, Greater Porto and the Algarve have all witnessed decreases of roughly 17%, 24% and 16% and 25% in their house sales throughout 2023.

Last year's final outcome comes as no surprise considering the market was still under quite some pressure. It was clear potential home buyers were more cautious, though Q4 2023 (33,289) presented a more positive number, with a 1.4% growth from its previous quarter, Q3 2023 (32,835). It is expected that throughout 2024, due to the slight decrease of interest rates and a more solid economic scenario, we start seeing these numbers increase once again.



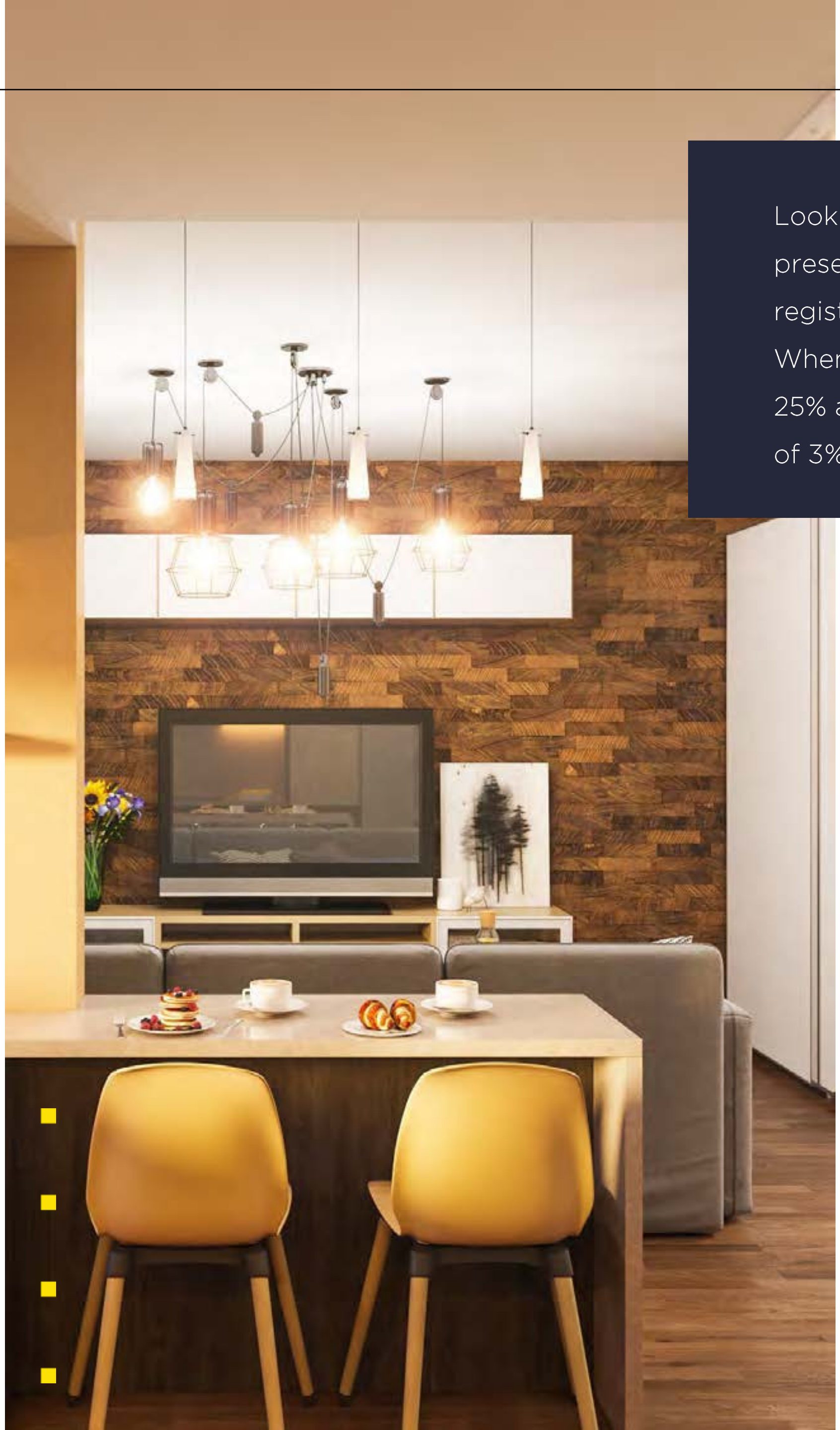
Source: Savills Research analysing SIR and INE

Both Porto and Lisbon cities have also presented decreases in their number of house sales. The Portuguese capital presented harsher results, with a y-o-y downturn of 24%, while Porto figures displayed a reduction of 16%.

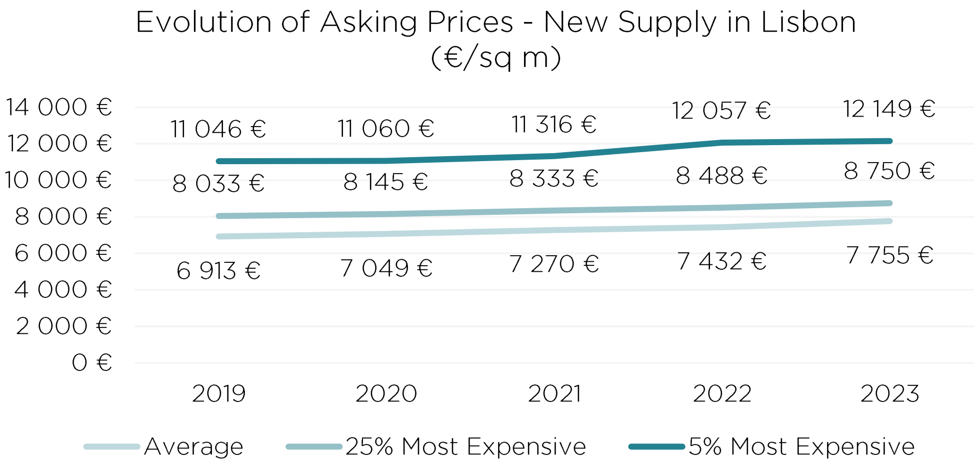
The more cautious scenario we witnessed last year, economically speaking, has also had an impact on the number of licensed homes in Greater Lisbon, reflecting a 33.6% drop against the previous year. Greater Porto, on the other hand, ended 2023 with positive results, with a 14% increase in comparison to 2022. Unfortunately, the scarcity is new construction is not foreseen to show relevant improvements throughout 2024 due to the ongoing lack of labour and the long and bureaucratic licensing processes, which ends up pressuring both prices in the rental and sales markets.

ASKING PRICES:
SALES AND RENTAL MARKET:

The generalised y-o-y housing prices decreased by 2.1% in the euro zone and 1% in the EU in the Q3 2023, according to the latest data released by Eurostat. Portugal, in the opposite direction, showed increases of 7.6% against the same quarter in 2022, the 5th highest amongst the EU member states.



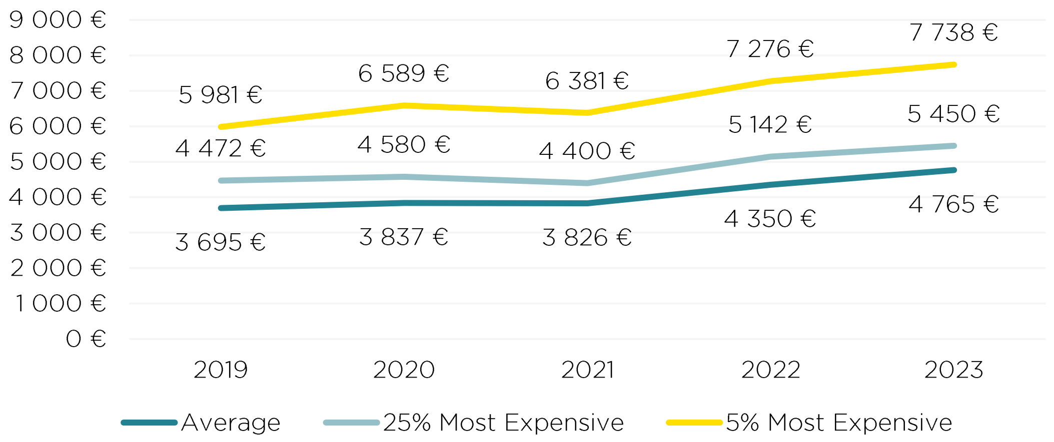
Looking individually at the major cities in Portugal, the Portuguese capital presented y-o-y increases approximately 12% and 4% against the prices registered in 2019 and 2022, respectively in terms of the average asking prices. When it comes to the high-end market, there were more subtle rises, with the 25% and 5% most expensive homes average asking prices reflecting growths of 3% and 1% in comparison to 2022.



Source: Savills Research analysing SIR

Porto city, on the other hand, shows sharper y-o-y rises in its market value. Comparing the asking prices reached by the end of 2023 vs 2022, it is possible to observe increases of 9.5%, 6% and 6.3%, in terms of average asking prices, the 25% and 5% most expensive new supply available in the market.

Evolution of Asking Prices - New Supply in Porto (€/sq m)



Source: Savills Research analysing SIR

There are several factors that can be considered when analysing the ongoing price increases Portugal has witnessed, such as supply and demand dynamics, speculation, urbanization, lifestyle preferences, government policies, economic growth, amongst others.

When it comes to the rental market, both Lisbon and Porto have also experienced increases in prices and decreases in the number of executed contracts. Since housing has become increasingly more expensive, also pressuring the rental market, this outcome was already expected.

According to the latest data from Eurostat, in 2022, only 22% of the population in Portugal lived in rented properties, while the EU average stood at 31%. This trend has grown throughout the years as homeownership declines across the EU and Portugal is no expectation.

By the end of 2023, average rental prices reached their peak in Lisbon and Porto, closing the year with a market value of 19.9€/sq m and 16.3 €/sq m, consecutively, representing increases of 22.8% and 25.4%, respectively.

Pipeline Under Construction | 2024-2026

51.9% units sold

Prime zone:
€7.000 - €13.500
> 300 units

Central zone:
€7.500 – €12.000
> 400 units

West Riverside:
€5.000 - €9.000
> 500 units

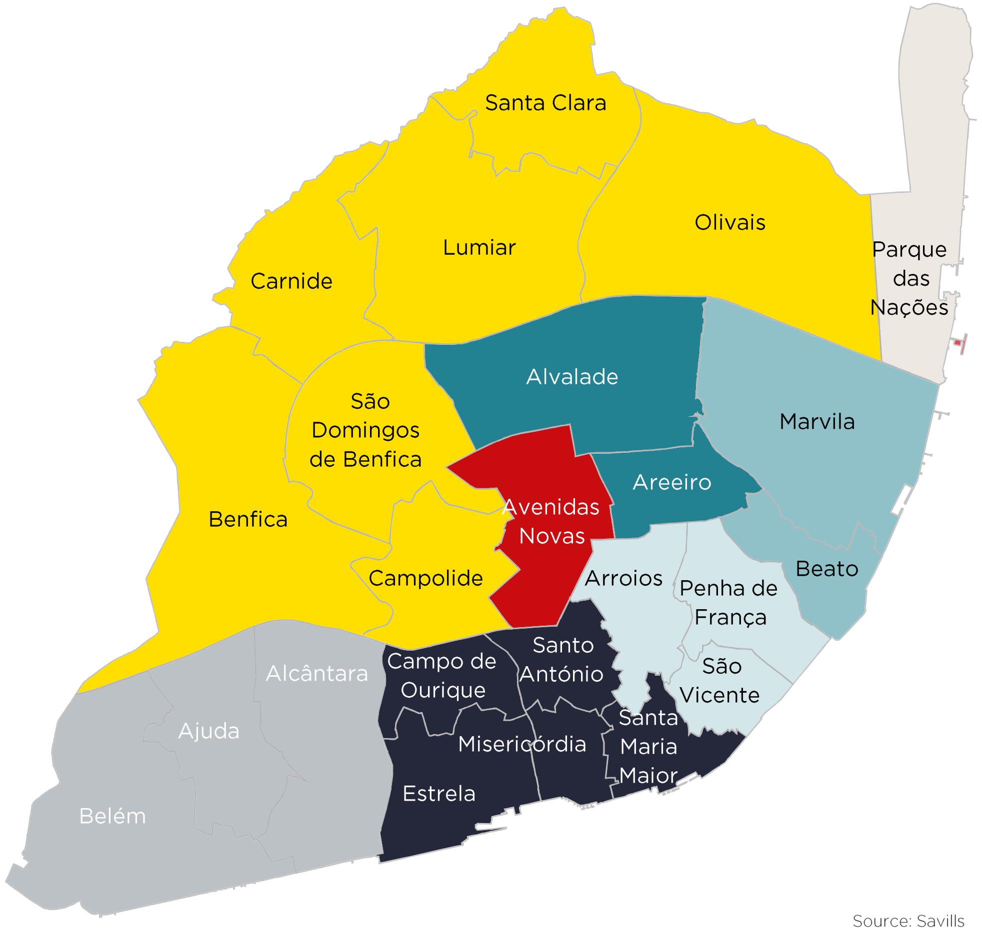
Historic Hillside zone:
€5.500 – €10.000
> 200 units

East Riverside:
€5.000 / €8.500
> 300 units

Upper Central zone:
€6.000 - €8.000
> 100 units

Parque das Nações:
€9.000 - €14.000
> 100 units

Uptown Ring:
€3.500 – €11.000
> 1,700 units



Source: Savills

PIPELINE:

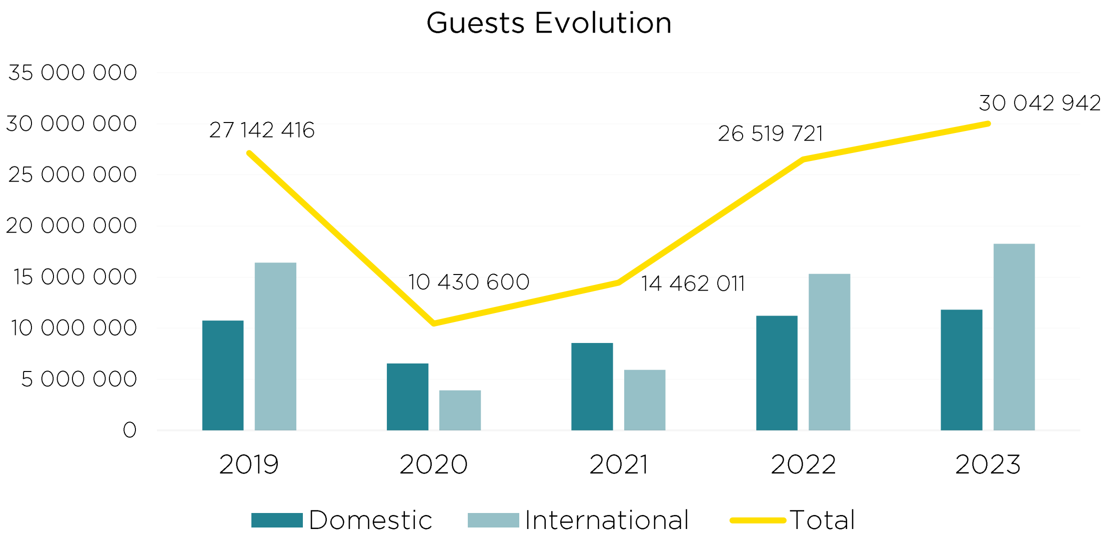
In Lisbon, the highest share of residential properties currently under construction mainly concentrates in the uptown ring zone, especially in the Lumiar parish. This area has become the new address of several new, high-quality developments in the Portuguese capital. Most of the developments in pipeline in Lisbon aim at the medium-high and high-end markets, which are the growing segments that have shown an incredible attractiveness in the city.

08 Tourism

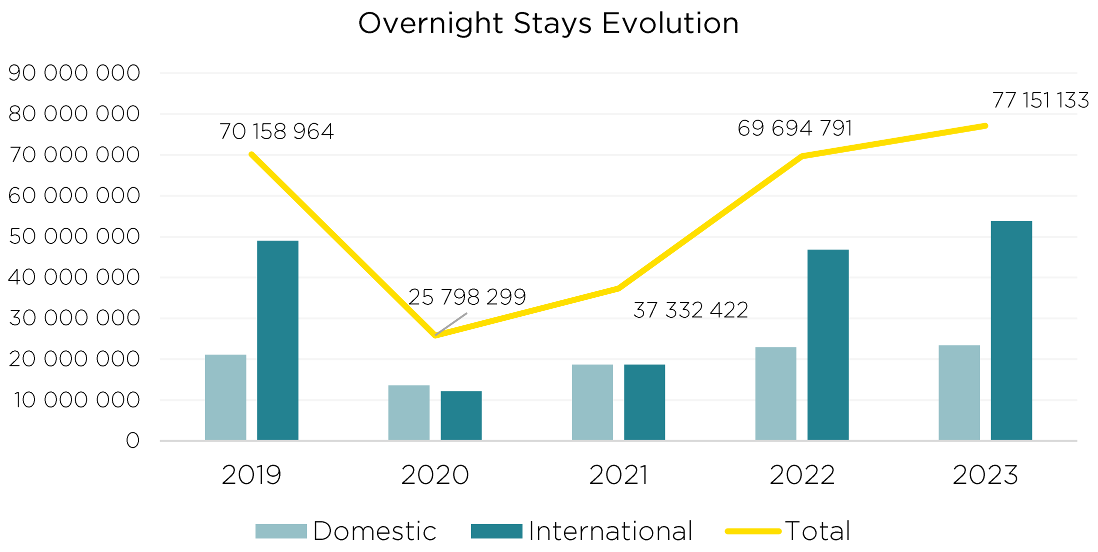
Tourism market 2023

The tourism industry made a full recovery in 2023 and even managed to break records. Last year, overnight stays came to a total of 77,2 million, white the number of guests reached 30 million people, reflecting y-o-y growths of approximately 11% and 13%, respectively. Now, when comparing pre pandemic results, with last year's, it was possible to observe increases of 11% in the number of guests and 10% in the overnight stays.

Looking individually at these numbers, in regards of guests, domestic travellers account for 39% of this final number, meaning that international visitors reflect 61%. The top three nationalities are comprised of Spanish, British and American citizens, each with share of 2,4 M, 2,4 M, and 2 M, respectively.



Source: Savills Research analysing Travel BI



Source: Savills Research analysing Travel BI

When analysing Portugal's overnight stays, there were y-o-y increases of roughly 10% and 11% against 2019 and 2022 results. Out of the 77,1 M stays, 70% come from the international market, while 30% are composed of Portuguese citizens. British, German and Spanish nationals comprise top 3 in this category, representing, respectively, 9,9 M, 6,1 M and 5,5 M overnight stays each.

Portugal | Market overview

MAIN OPENINGS | 2023

Promoter	Hotel	Category	Rooms
Tivoli Hotels & Resorts	Tivoli Alvor	5*	491
DHM	Crowne Plaza Caparica	4*	227
Marriott	Renaissance Porto Lapa	4*	163

MAIN PROJECTS IN PIPELINE | 2024

Promoter	Hotel	Category	Rooms
Hyatt Hotels	Dreams Maderia Resort Spa & Marina	5*	366
TSH	The Social Hub	4*	305
The Editory Collection Hotels	Editory by The Sea Lagos	5*	276

GUESTS
30 M
+13%

OVERNIGHT STAYS
77.2 M
+11%

REVENUE
6 B€
+20%

RevPAR
64.8€
+15%

TOP 3 NATIONALITIES | **GUESTS**

Spain
2.4 M
Guests

United Kingdom
2.4 M
Guests

United States
2 M
Guests

TOP 3 NATIONALITIES | **OVERNIGHT STAYS**

United Kingdom
9.9 M
Stays

Germany
6.1 M
Stays

Spain
5.5 M
Stays

Lisbon Metropolitan Area | Market Overview

MAIN OPENINGS | 2022 - 2023

Promoter	Hotel	Category	Rooms
Grupo Hyatt	Hyatt Regency Lisboa	5*	204
Sonae Capital Hotelaria	The Editory Riverside Hotel	5*	126
PHC Hotels	Convent Square Hotel Vignette Collection	5*	121

MAIN PROJECTS IN PIPELINE | 2024

Promoter	Hotel	Category	Rooms
Grupo Radisson	Radisson Red Olaias	4*	290
Mercan Properties | Mariott	Moxy Alfragide	3*	218
Hoti Hotels	ME Lisbon	5*	213

GUESTS
8.8 M
+15%

OVERNIGHT STAYS
20.3 M
+13%

REVENUE
1.9 B€
+24%

RevPAR
95.3€
+19%

TOP 3 NATIONALITIES | **GUESTS**

United States
1.1 M
Guests

Spain
600 K
Guests

Brazil
600 K
Guests

TOP 3 NATIONALITIES | **OVERNIGHT STAYS**

Spain
2.4 M
Stays

United Kingdom
1.5 M
Stays

United States
1.4 M
Stays

North Region | Market Overview

MAIN OPENINGS | 2022 - 2023

Promoter	Hotel	Category	Rooms
Marriott	Renaissance Porto Lapa	4*	163
Neya Hotels	Neya Porto Hotel	4*	124
Group Bomporto	The Rebello	5*	106

MAIN PROJECTS IN PIPELINE | 2024

Promoter	Hotel	Category	Rooms
TSH	The Social Hub	4*	305
Radisson RED	Radisson Red Porto	4*	278
Hoti Hotels	Meliá Famalicão	4*	120

GUESTS
7 M
+15%

OVERNIGHT STAYS
13.3 M
+15%

REVENUE
1 B€
+24%

RevPAR
53.9€
+17%

TOP 3 NATIONALITIES | **GUESTS**

Spain
800 K
Guests

France
400 K
Guests

United States
400 K
Guests

TOP 3 NATIONALITIES | **OVERNIGHT STAYS**

Spain
1.6 M
Stays

France
1 M
Stays

United States
900 K
Stays

Algarve | Market Overview

MAIN OPENINGS | 2022 - 2023

Promoter	Hotel	Category	Rooms
3HB Hotels & Resorts	3HB Guarana	4*	500
Pestana Hotel Group	Tivoli Alvor Algarve Resort	5*	491
W Hotels	Extreme WOW	5*	217

MAIN PROJECTS IN PIPELINE | 2024

Promoter	Hotel	Category	Rooms
Viceroy Hotels & Resorts	Viceroy at Ombria Resort Algarve	5*	276
Mercan Properties | Hilton	Lagos Marina Hotel - Curio Collection	5*	180
The Editory Collection Hotels	Editory by The Sea Lagos	5*	276

GUESTS
5.1 M
+8%

OVERNIGHT STAYS
20.4 M
+6%

REVENUE
1.6 B€
+12%

RevPAR
70.5€
+10%

TOP 3 NATIONALITIES | **GUESTS**

United Kingdom
1.2 M
Guests

Germany
400 K
Guests

Spain
300 K
Guests

TOP 3 NATIONALITIES | **OVERNIGHT STAYS**

United Kingdom
5.8 M
Stays

Germany
1.8 M
Stays

Ireland
1.6 M
Stays

Pipeline

According to a survey carried out by Savills Research, Portugal welcomed over 120 hotel units in 2023, amounting to more than 5,600 rooms all over the country.

Greater Lisbon comprised the largest share of openings, with 20% of the final figures, followed by the Alentejo and the Northen Region (without considering Greater Porto), reflecting 17% each. As expected, 39% of last year's openings took place in the 3rd quarter of 2023, during tourism high season.

The current forecast is that in 2024, almost 70 new hotels will be openings their doors, bringing a tourist offer of more than 6,500 new rooms throughout the country.

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