SAVILLS

Investment

Outlook 2024 | Trends 2025

Year 2024 | What to expect for 2025?

Lisbon
2025

Forecast 2025

1.9%
GDP GROWTH RATE

1.8%
INFLATION RATE

6.5%
UNEMPLOYMENT RATE

GDP growth in Portugal is expected to be moderate in the coming year. The expansion will be supported by domestic demand recovery, EU-funded infrastructure projects, and a stable labor market.

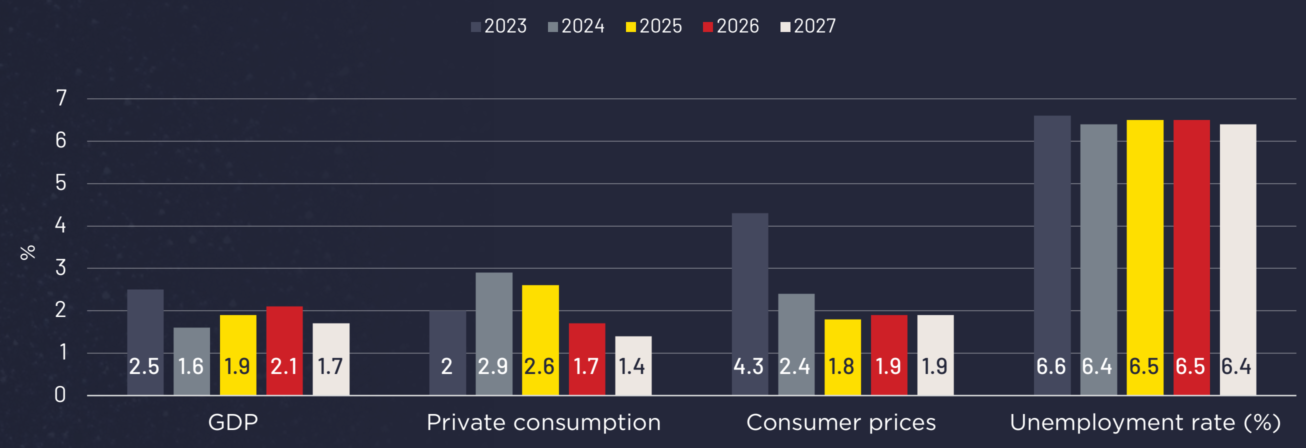
Tourism is expected to continue playing a significant role in Portugal's GDP growth in the coming year. While its impact may not be as strong as in pre-pandemic times, the sector will still contribute positively to economic recovery.

It is expected that annual inflation will decrease in 2025, as the temporary effects of price increases, such as the reintroduction of VAT on certain food products, are likely to diminish. However, energy costs and global pressures may continue to influence domestic prices.

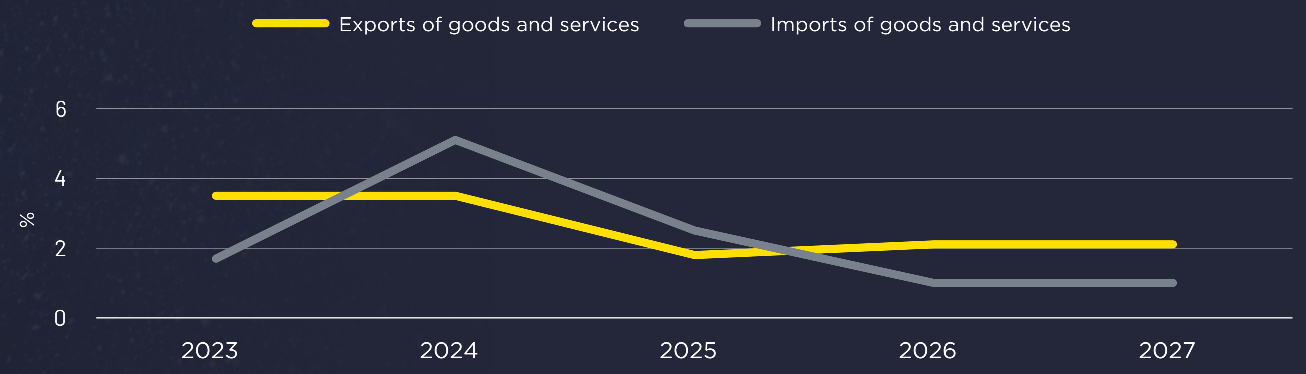
The labor market continues to show positive results. Preliminary data for the fourth quarter suggest that this growth will continue. The unemployment rate remained stable and favorable, standing at 6.7% in November.

ECONOMY

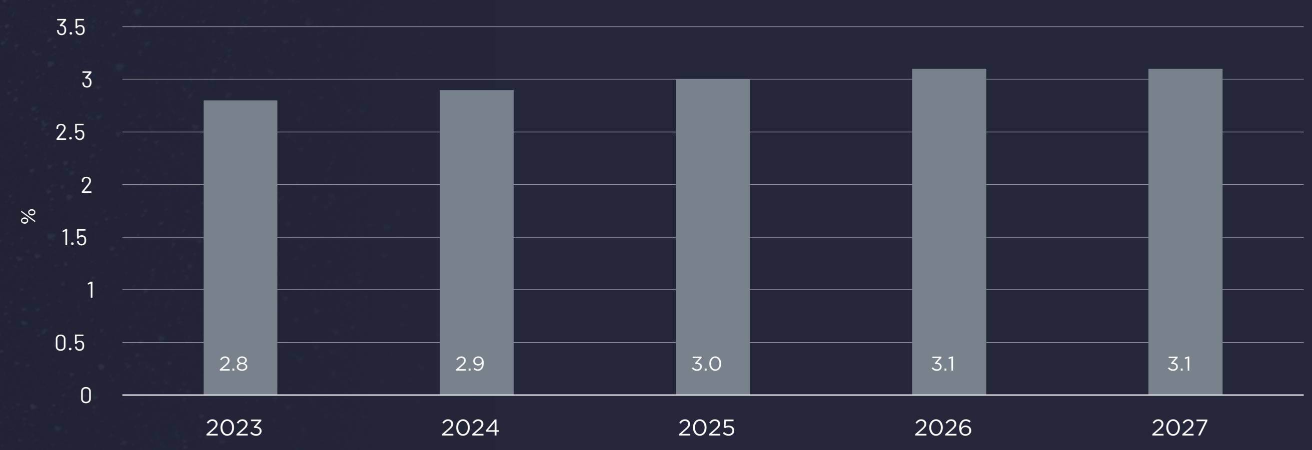
— Key Economic Forecast —



— Imports vs. Exports —



— 10 Years Government Bons Yield (%, EOP) —



SOURCE Oxford Economics

Investment

Market 2024 | Trends 2025

Shopping Centers, Supermarkets, and Hotels at the Top of Investors' Preferences in 2024

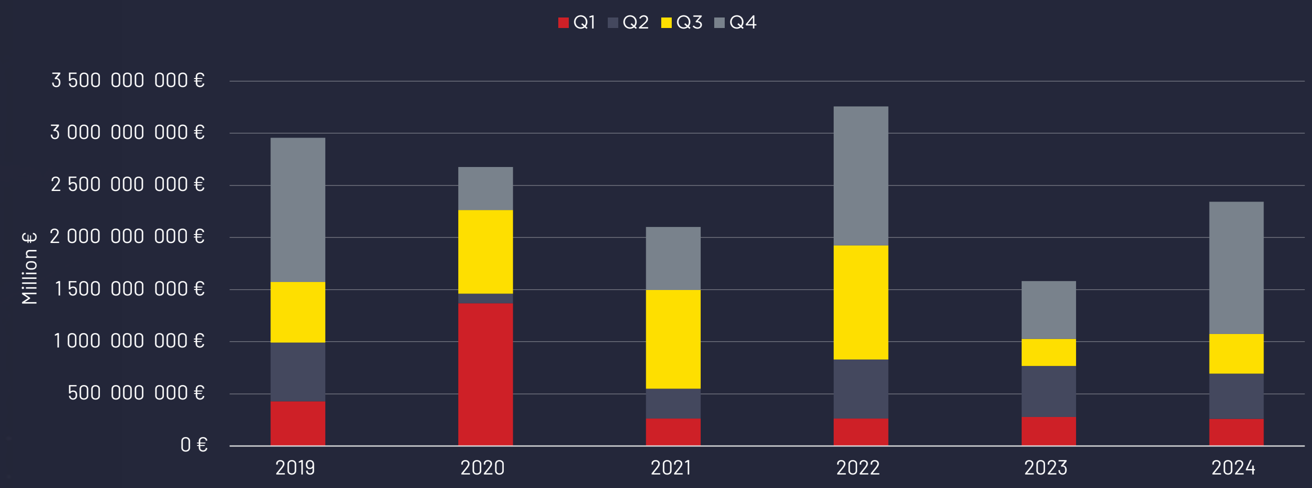
The total volume of real estate investment reached approximately €2.3 billion, marking a robust growth of 51% compared to the previous year.
This performance reflects not only the expected recovery of the sector after a more challenging 2023, but also the strengthening of investor confidence in the competitiveness of the Portuguese market.
The Retail segment was the star of the year, standing out with a total investment volume of €1.1 billion, which represents an +104% year-over-year growth, reflecting the revitalization of the sector, particularly in the Shopping Centers subsegment, which captured 20% of the market share, benefiting from consumption recovery and repositioning strategies. Supermarket assets closely followed, representing 19% of the total investment volume, with significant transactions, such as the acquisition of supermarket portfolios, taking place.

2024

€2.3 billion

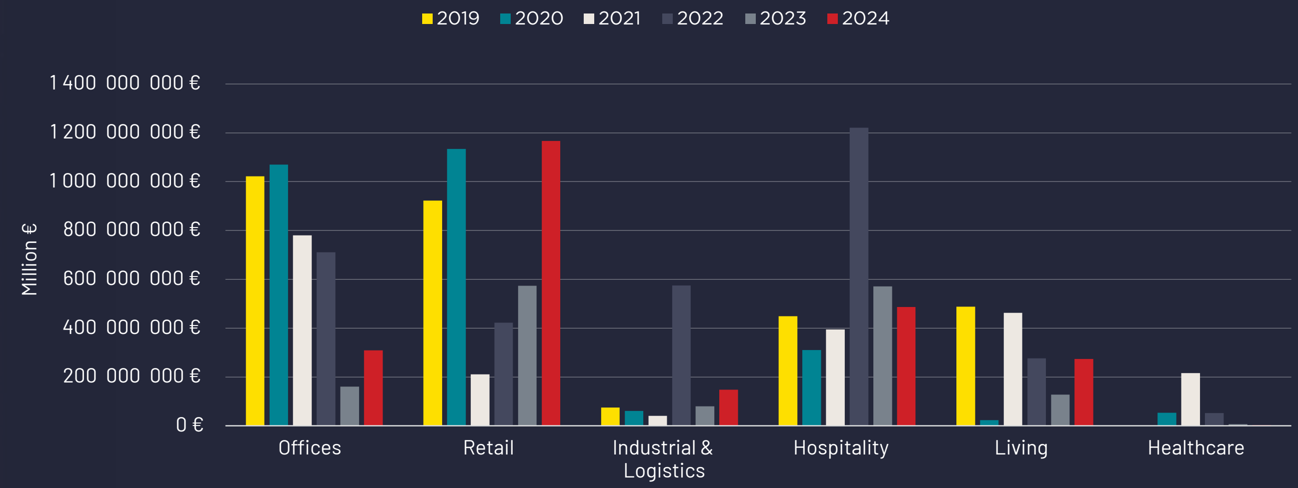
Year-on-Year +51%

— Total Real Estate Investment Volume —



— Investment Volume —

BY SECTOR

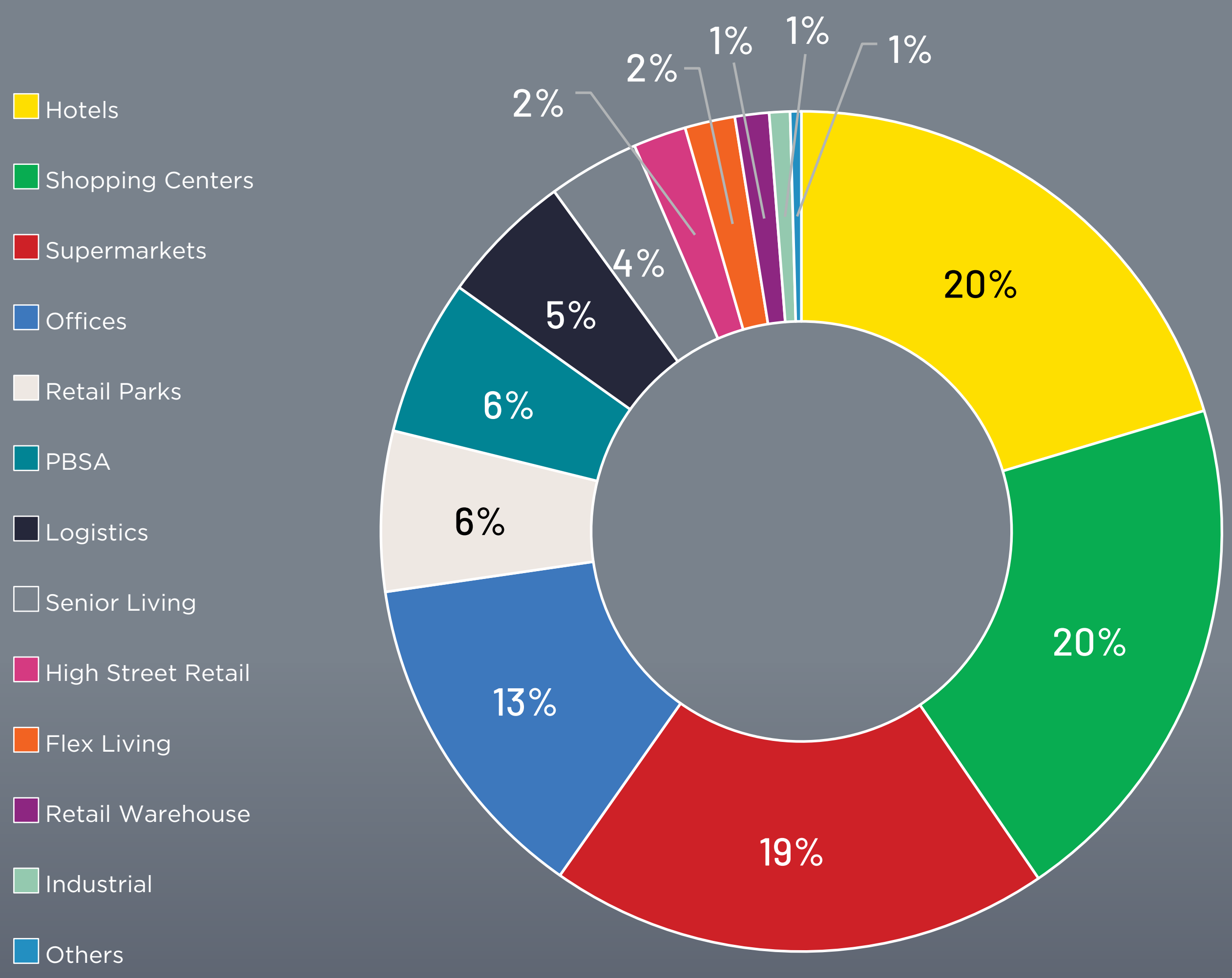


The Hospitality sector remained the second largest segment in terms of investment volume, with a market share of 20%, but faced a 15% contraction compared to 2023.
The Living segment recorded an extraordinary growth of 114% year-over-year, reaching a total volume of €274 million. This increase was driven by the growing demand for assets such as Purpose-Built Student Accommodation (PBSA) and Senior Living, in line with demographic trends and a greater focus on specialized housing solutions.
The office market demonstrated solid recovery, with a 94% increase compared to the previous year, totaling €310 million in investments. This growth reflects a strong demand for modern and flexible spaces, driven by companies adapting to new work dynamics, such as hybrid working.
The preference for sustainable and technologically advanced buildings also played a significant role in the attractiveness of this segment.

SOURCE Savills

— Distribution of Investment Volume —

BY ASSET SEGMENT



HOTELS

486 M

-15% YoY
Prime Yeld 5.50%

SHOPPING CENTERS

480 M

+192% YoY
Prime Yeld 6.25%

SUPERMARKETS

460 M

+88% YoY
Prime Yeld 5.50%

OFFICES

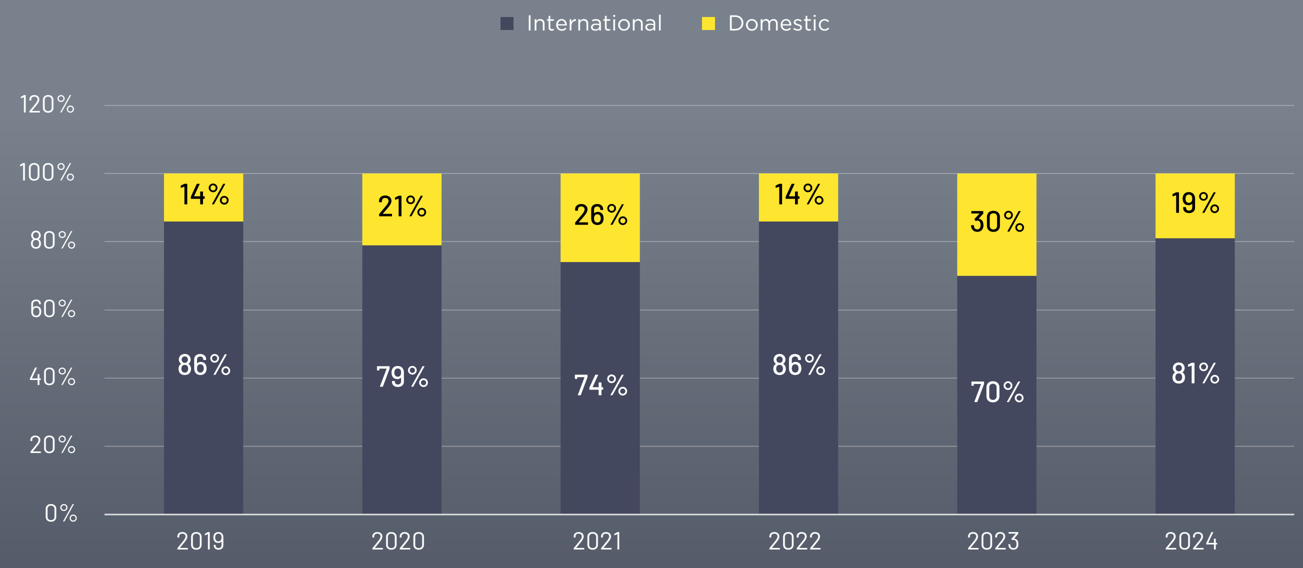
309 M

+95% YoY
Prime Yeld 4.75%

— Top Investors Nationalities —

Portugal	France	Spain	South Africa	Germany
28%	27%	17%	17%	11%

— Cross-Border vs. National Capital —



RETAIL PARKS

147 M

+30% YoY
Prime Yeld 7.00%

INDUSTRIAL & LOGISTICS

147 M

+84% YoY
Prime Yeld 5.50%

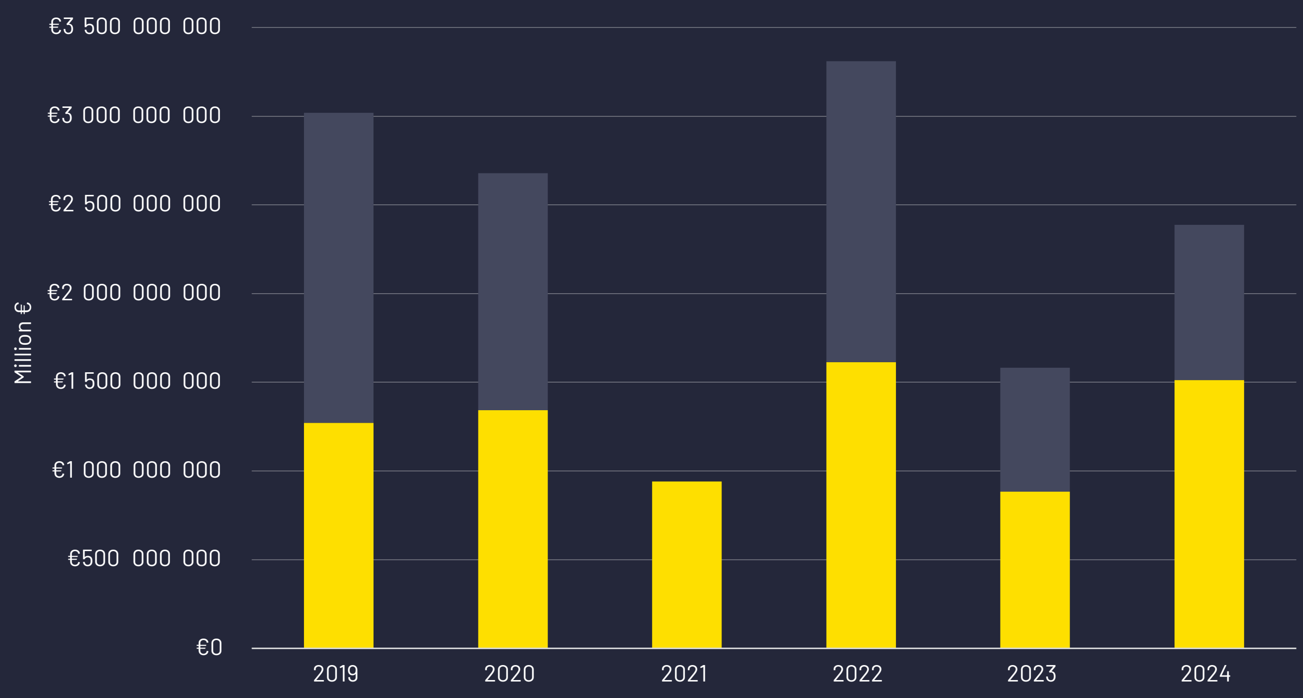
PBSA

143 M

+14% YoY
Prime Yeld 5.50%

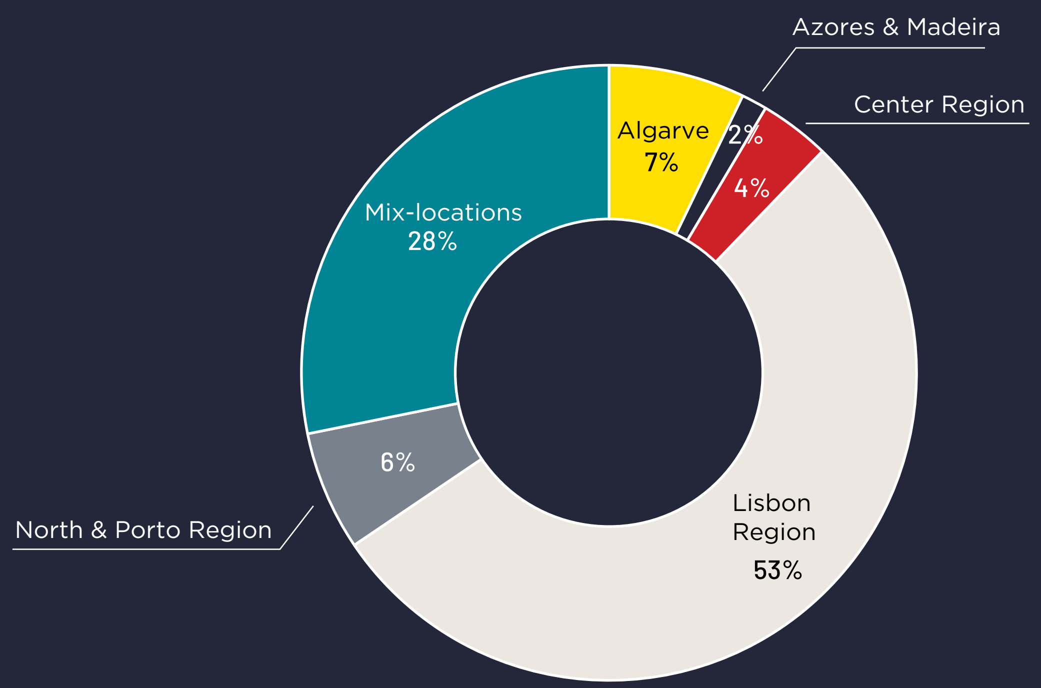
SOURCE Savills

— Single vs. Portfolio Acquisitions —



— Target Location for Capital Allocation —

IN 2024



— Distribution of Investment Volume —

BY AMOUNT RANGE

9%

< € 10 MILLION

26%

€ 10 MILLION - € 50 MILLION

27%

€ 50 MILLION - € 100 MILLION

28%

> € 100 MILLION

SOURCE Savills

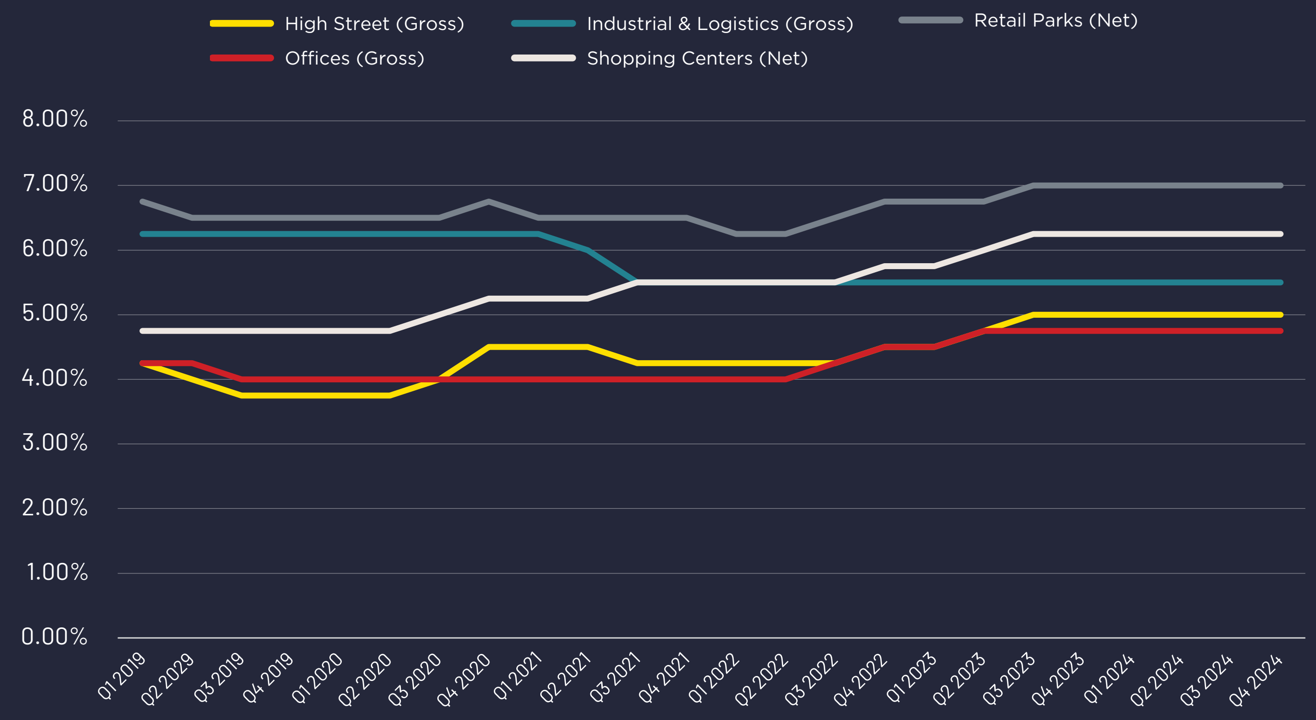
The European Central Bank (ECB) has reduced its key interest rate to 3.00% and is expected to lower it further to 2.50% by March 2025. These rate cuts aim to improve financing conditions and renew investor confidence across key asset classes.
By the third quarter of 2025, prime yield compression is anticipated to accelerate, spreading across various European markets and signaling a positive shift in investment activity. This reflects growing opportunities as markets adjust to more favorable monetary conditions.

For the Portuguese investment market in 2025, a potential yield compression is anticipated, driven by a confluence of factors including a strengthening economy and a more robust investment climate.

KEY DYNAMICS

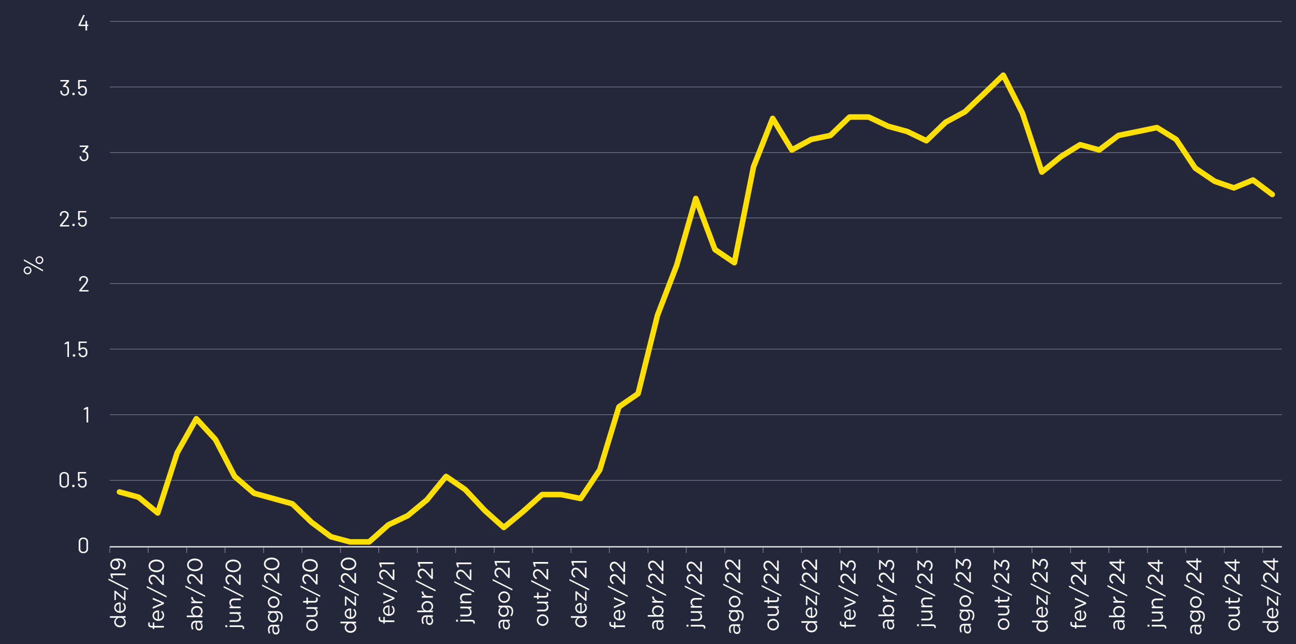
» Improved financing conditions: Lower debt financing costs;
» Sustained economic growth: Continued economic growth is boosting investor confidence and attracting international capital to the Portuguese market;
» Reduced risk premium: The ongoing implementation of economic measures designed to mitigate debt exposure is contributing to a reduction in Portugal's risk premium.

— Prime Yields —



— Yield on Treasury Bonds with Fixed Rate and Residual Maturity —

OF 10 YEARS



SOURCE Savills | Bank of Portugal

TOP Transactions 2024

PORTFOLIO ATOS
SUPERMARKETS
€245 M | 49%
BUYER
Leadcrest Capital Partners

MODELO CONTINENTE PORTFOLIO
SUPERMARKETS
€150 M | 72,600 sqm
BUYER
Slate Asset Management

ALEGRO MONTIJO
SHOPPING CENTER
€178 M | 57,139 sqm
BUYER
Lighthouse Properties

PORTFOLIO RIOSUL SHOPPING | LOURES SHOPPING | 8ª AVENIDA
SHOPPING CENTER
€176.6 M | 119,674 sqm
BUYER
Castellana Properties

CONRAD ALGARVE
HOSPITALITY
>€150 M | 154 Rooms
BUYER
Group Quinta do Lago

HOTEL SOFITEL LISBOA LIBERDADE
HOSPITALITY
€75 M | 175 Rooms
BUYER
French Group

K-TOWER
OFFICES
€84 M | 15,000 sqm
BUYER
Real I. S.A.G

What to expect in 2025

Following the European Parliament elections in June, gains by right-wing and Eurosceptic parties are expected to influence EU policymaking in the coming years. The U.S. presidential election,could strain transatlantic relations and challenge Europe's trade and geopolitical strategies in 2025 and beyond. Many of the challenges in 2025 will be similar to those in 2024, reflecting decisions and strategies initiated in the previous year. While 2024 focused on crises and economic stabilization, 2025 may concentrate on implementing growth-oriented policies, such as targeted fiscal spending.

Investor confidence reinforced by a favorable economic backdrop, ensuring a stable and predictable investment climate.

Investment trajectory remains on a positive upward trajectory, supported by strong fundamentals and sustained growth.

Continued focus on portfolio diversification, with a strategic balance across asset classes and geographical exposure, enhancing risk-adjusted returns.

Retail sector performance showing notable improvement, driven by the rebound in consumption and strategic acquisitions of high-potential assets.

Living segment assets continue to attract strong demand, underpinned by solid demographic fundamentals and long-term growth prospects.

Hospitality sector experiencing consolidated demand, fueled by robust national tourism performance and operator-driven expansion strategies.

Portugal is becoming a key destination for data center investments, driven by its strategic location, access to affordable renewable energy, modern telecom infrastructure, and political stability. This sector is poised for significant growth, with increasing interest from global investors looking to expand digital infrastructure.

Prime yields to remain stable or with a slight downward trend as a result of the anticipated cuts of the ECB, as well as the strong fiscal discipline and economic performance is decreasing the country risk premium.

savills

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