SPOTLIGHT
Savills Research

WHERE DO COMPANIES

WANT TO BE?

9TH EDITION | 2020/2021

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Savills Commercial Research
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LISBON
IN TIMES OF PANDEMIC, WHERE DO COMPANIES WANT DO BE?

In the 2018/2017 edition released by Savills of the Companies Migration Study, the drivers of demand were based on fundamental pillars for companies such as the need to optimise financial and human resources.

Three years later, the current reality of the office market in Lisbon is faithful to the results reported at that time, in terms of the growing concern of companies to optimise and innovate.

However, we now add to the scenario outlined in 2021 a new variant, totally unexpected and that was never foreseen in forecast models - the Covid - 19 virus that forced the world into a compulsory lockdown.

Covid - 19 and the return to office spaces undoubtedly accelerated a trend that was already being observed, particularly in companies with well-established well-being policies. A concern that has become part of companies strategic plans, with direct repercussions in their demand for new premises and occupancy requirements.

The present study aims to analyse the migratory movement of companies with ofices integrated in the office zones established for the Lisbon market in view of the pandemic context experienced in the last two years, where we all navigate in unknown circumstances.

Where do companies seek to establish themselves when looking for new offices? Do they seek to stay in the same location? Or are they open to changing location?

For this purpose, 198 deals closed between 2020 and Q3 2021 in the Lisbon office market were analysed*. Each of the deals done was quantified in:

- **Origin Zone** (office zone where the company was previously based)**;**
- **Destination zone** (office market zone selected for new premises)**;**
- **Contracted office area** (GLA)**;**
- **Main reason for hiring new office space** (when provided by the company)**;**
- **Business Activity Sector.**

In order to determine the origin's zone and main reason for hiring new space, Savills research conducted a telephone survey for each company and cross-checked available data online with internal information.

* Companies Migration Study is based on the LPI Index (Lisbon Prime Index) with respect to the take-up volume, number of deals done, destination zone and business activity sectors of the deals done recorded between the 2020 and Q32021

LISBON KEY-TAKE-AWAYS

- Investment made in the projection of Lisbon in the World, in the most diverse areas, from new technologies, to the tourism sector, to urban regeneration, has been fundamental for the attraction of new international companies;
- As a destination for an increasingly wide range of Business Service Centres, Lisbon has been the target of an increase in foreign direct investment, particularly directed at New Technologies areas;
- An increasingly international business ecosystem, coupled with quality of life, safety, competitive costs, talented human resources and high technological skills, make the capital of Portugal a competitive market for setting up companies;
- Compared to the average annual take-up volume of the last five years of approx. 174 sq m, the year 2021 showed a slightly decrease of 7%, demonstrating the resilience of the Lisbon office market, given the pandemic effects still being experienced in 2021, with many companies in remote work or using more hybrid work models;
- Western Corridor and Prime CBD Zone are the market zones with the highest take-up volume between 2017 - 2021;
- Consultants & Lawyers and Financial Services activity sectors have been the most active in the Prime CBD zone, accounting for 53% of the total take-up volume between 2017 - 2021;
- At the end of 2021, the Prime CBD zone presents a vacancy rate of 9.13%, the 4th lowest in the Lisbon office market;
- The Western Corridor (Zone 6) has proven to be a valid option for companies looking for larger spaces at competitive prices. TMT´s companies account for 35% of the total take-up volume of the last 5 years.
- As of 2019 more than 150,000 sq m of office space has already been secured in the Lisbon Office Market through pre-letting contracts, with 35% of the total number of deals closed targeting areas above 5,000 sq m, carried out by financial entities, TMT's and consultants, resulting from building relocation processes;
- Prime rent remains stable at 25 euros/sq m/month, sustained by the still existing imbalance between supply and demand, with projections of upward pressure;
- COMPANY´S MIGRATION: 63% of closed deals resulting from relocation and expansion processes between 2020 - Q3 2021 originated from companies located in the Prime Zone (Zone 1), closely followed by companies previously located in the CBD Zone (Zone 2) and Parque das Nações (Zone 5);
- Companies dedicated to the TMT's sector were the most active, representing 41% of the total volume of occupied GLA between 2020 and the 3rd quarter of 2021;
- Better conditions for workers and company growth were the two most common reasons for the need to move or expand offices;
- Location, flexibility and transport network were indicated as the three factors that have the most weight in the decision making process;
- Prime CBD: 62% of the take-up volume comes from companies that were already located in this market area;
- Parque das Nações: 39% of companies migrating within this same axis;
- The Western Corridor is the third market zone with the highest loyalty rate with 17%. Zone 6, had the highest number of transactions and take-up volume between 2020-Q3 2021, confirming the willingness of companies to establish themselves outside the city centre.

LISBON NOT JUST A TRENDY DESTINY

Over the last two decades, Lisbon has been recognised as a trendy city, driven by the growing attractiveness of the city as an international tourism destination and by the offer of important factors such as safety, political and social stability quality of life, nice weather and great food!

Notwithstanding the numerous awards that Lisbon has received in recent years in the tourism sector, the city of the seven hills also stands out for its prosperity of start-ups, innovation and technologies, as well as talent and competitiveness. Recognised by prestigious organisations around the world, Lisbon has attracted a diverse range of international companies that choose the city to establish their headquarters or business branches.

In the Higher Education sector, Lisbon currently has two colleges in the top 50 of the Financial Times Masters in Management 2021. Nova School of Business and Economics is in position 23 and Católica Lisbon School of Business and Economics in position 45, attracting a growing number of international students.

Targeting a strong investment in innovation, Lisbon holds the 12th place in Europe as the most innovative city, according to the European Innovation Scoreboard. In addition, the Portuguese capital hosts the Web Summit until 2028, the largest international event that aims to bring together start-ups, entrepreneurs and investors for 3 days, and gathers around 70,000 spectators per year, since 2018.

Lisbon is also a city with sustainability policies. Renowned for the character and historic facades of its buildings, the theme of sustainability now cuts across all property uses.

Sustainability is a watchword nowadays. In 2020, Lisbon was elected European Green Capital by reducing CO2 emissions by 50% since 2002 and water consumption by 17% since 2013.

KEY - NUMBERS

2019

- **AVERAGE MONTHLY SALARY**
- **LISBON METROPOLITAN AREA:** €1.477
- **LISBON CITY:** €1.669
- **NUMBER OF COMPANIES**
- **LISBON METROPOLITAN AREA:** 382,000

2020

- **ACTIVE POPULATION**
- **LISBON METROPOLITAN AREA:** 1.399
- **COMMUTING POPULATION**
- **LISBON CITY:** 425,747
  (number of people entering the city for reasons of work or study, on a daily basis).
- **FOREIGN RESIDENT POPULATION**
- **LISBON METROPOLITAN AREA:** 330,000
- **UNEMPLOYMENT RATE**
- **LISBON METROPOLITAN AREA:** 7.70%

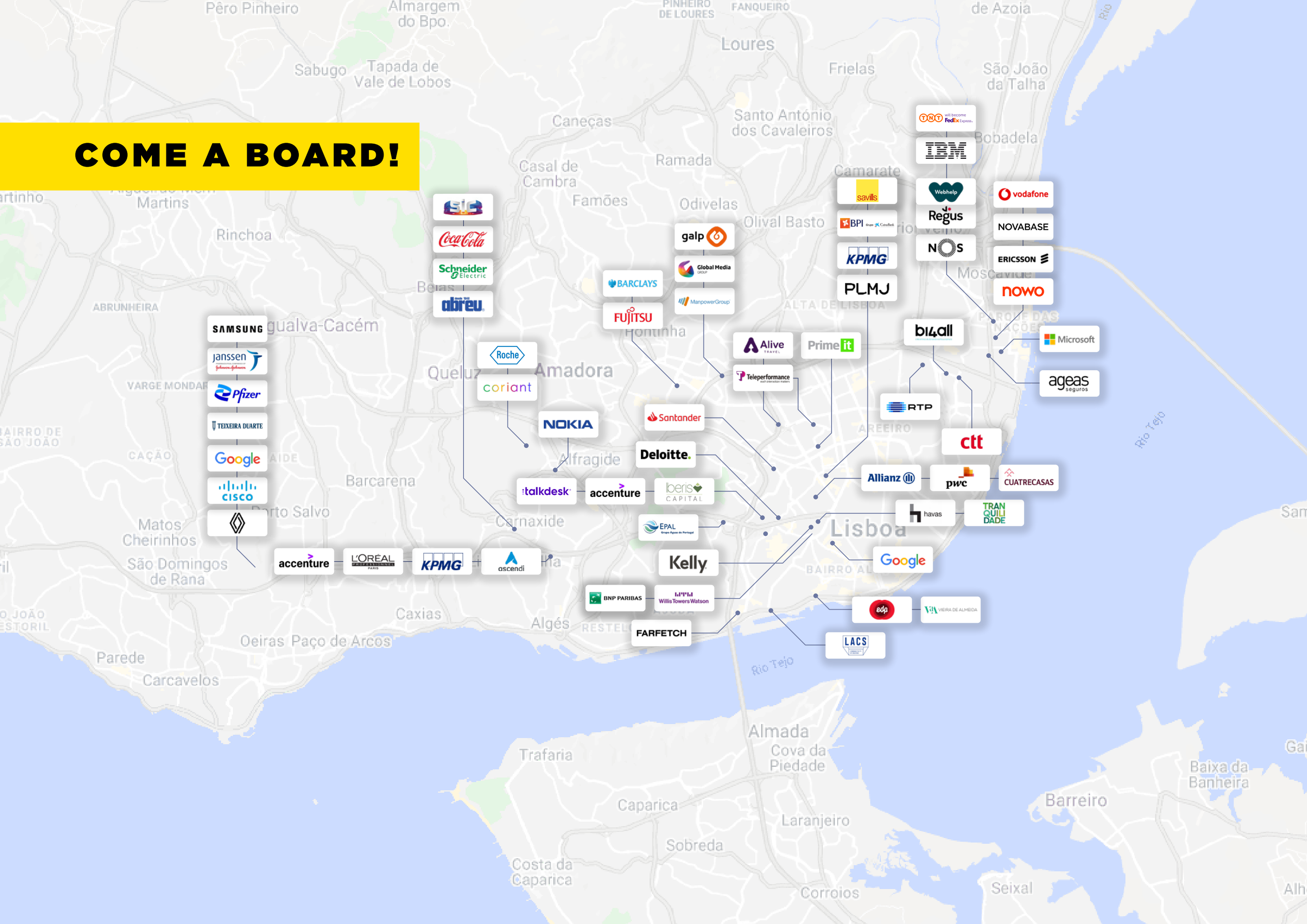
2021

- **RESIDENT POPULATION**
- **LISBON METROPOLITAN AREA:** 2.846.332
- **LISBON CITY:** 507,220

SOURCE: INE | CML

KEY-NUMBERS

COME A BOARD!


Pêro Pinheiro
Almargem do Bpo.
Sabugo
Tapada de Vale de Lobos
Loures
Frielas
São João da Talha
Caneças
Santo António dos Cavaleiros
Bobadela
Casal de Cambra
Ramada
Camarate
Famões
Odivelas
Olival Basto
Martins
Rinchoa
ABRUNHEIRA
Moscavide
ALTA DE LISBOA
Queluz
Amadora
Fontinha
VARGE MONDAR
Barcarena
Alfragide
AREEIRO
Porto Salvo
Carnaxide
Matos Cheirinhos
São Domingos de Rana
Lisboa
BAIRRO ALTO
Caxias
Algés
Oeiras
Paço de Arcos
Parede
Carcavelos
Rio Tejo
Almada
Cova da Piedade
Trafaria
Caparica
Laranjeiro
Barreiro
Baixa da Banheira
Sobreda
Costa da Caparica
Corroios
Seixal
SIC
Coca-Cola
Schneider Electric
abreu
SAMSUNG
janssen
Pfizer
TEIXEIRA DUARTE
Google
cisco
Roche
coriant
NOKIA
talkdesk
accenture
L'ORÉAL
KPMG
ascendi
BARCLAYS
FUJITSU
galp
Global Media
ManpowerGroup
Santander
Deloitte.
Iberis CAPITAL
EPAL
Kelly
BNP PARIBAS
Willis Towers Watson
FARFETCH
Alive
Teleperformance
Prime it
savills
BPI
KPMG
PLMJ
TNT will become FedEx Express
IBM
Webhelp
Regus
NOS
bi4all
RTP
ctt
Allianz
pwc
CUATRECASAS
havas
TRANQUILIDADE
Google
edp
VIEIRA DE ALMEIDA
LACS
vodafone
NOVABASE
ERICSSON
nowo
Microsoft
ageas seguros

LISBON KEY FACTORS FOR SUCCESS

- INTERNATIONAL BUSINESS ENVIRONMENT
- SECURITY
- HIGHLY QUALIFIED HUMAN RESOURCES
- COMPLETE TRANSPORT NETWORK
- HIGH TECHNOLOGICAL SKILLS
- DIRECT CONNECTION
  to the main European Capital by low-cost companies
- QUALITY OF LIFE
- COMPETITIVE COSTS
- POLITICAL AND SOCIAL STABILITY
- ENGLISH LANGUAGE PROFICIENCY
- COMPETITIVE CITY
  for the establishment of shared services and research centres.

GO FOR A RIDE IN LISBON

In terms of mobility, Lisbon now holds a highly attractive and competitive position. Boasting a comprehensive public transport network featuring 4 metro lines, buses, trains, UBER and other alternative shared transport systems, Lisbon is the perfect example of a European capital that has reinvented itself and invested in the field of sustainable urban mobility.

Mobility planning is one of the biggest challenges for environmental and urban policies in the Lisbon district, based on the pillars of accessibility, sustainability, innovation, modernity and competitiveness.

LISBON OFFERS SEVERAL DIFFERENT MEANS OF SHARED TRANSPORT:

CAR SHARING

BIKE SHARING

SCOOTER SHARING

SCOOTERS

A study conducted by Savills Portugal in 2019 entitled "What Workers Want", to which more than 1,000 employees responded, saw around 34% of the sample willing to add up to 15 minutes less to their daily commute time to work at their ideal office.

This figure is unequivocal proof that the location factor is one of the most important aspects and registers the least leeway in a process to select the site for a company´s facilities.

The Lisbon office market has a total availability rate of 7.4% today, a clear illustration that most market areas have highly residual availability rates, whereby occupation processes are increasingly competitive.

In the post-pandemic context, the renewed dynamism of the market is clear to see, with decision-making processes regaining momentum.

The positive outlook for the recovery of the domestic economy is an attractive factor for the arrival of new international companies in the Portuguese business market, to which the office market and the pipeline foreseen for the coming years will need to respond in a timely manner.

LISBON BUSINESS PROFILE

Lisbon has proven to be a very attractive city for companies to establish themselves over the years. Between the years 2013 and 2019, the number of non-financial companies in the Lisbon Metropolitan Area saw an increase of 25%.

The gradual evolution that Lisbon has seen is the result of the investment focused on innovation, research and commerce, among other sectors, helping position Lisbon as a strong brand on the European panel. Lisbon is one of the most chosen European capitals for the establishment of companies with a high degree of technology and R&D, where approximately 354,406 companies are based.

The evolution of new non-financial companies in the Lisbon Metropolitan Area (LMA) has followed the same trend. The 2008 crisis slowed down the increase in new companies, but with the recovery from 2013 onwards, the appearance of new companies began to be more and more accentuated, increasing from 42,814 in 2012 to 68,308 in 2019.

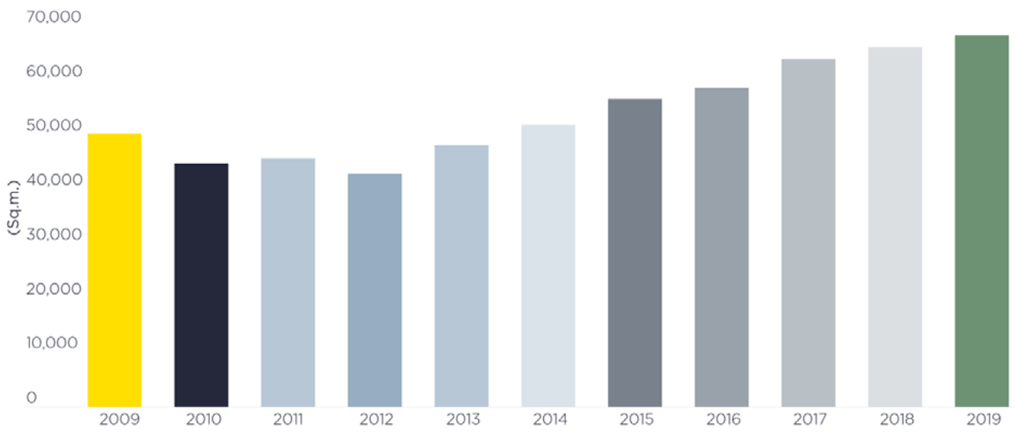
It is also in the Lisbon region that we find the highest number of employees working for foreign companies in the technology sectors.

Lisbon is a destination for the expansion of activities of several multinational companies, and is now gaining ground and position in the business service centre sector, where it already has 111 centres.

The Portuguese capital received between the years 2016-2020 around 40 new companies dedicated to the Information Technologies. Also the automotive sector has seen a proliferation of several Competence Centres, such as Critical Techworks (BMW in partnership with Critical Software), Mercedes Benz.io, tb.lx tb.lx (Daimler Group) and Volkswagen Digital Solutions.

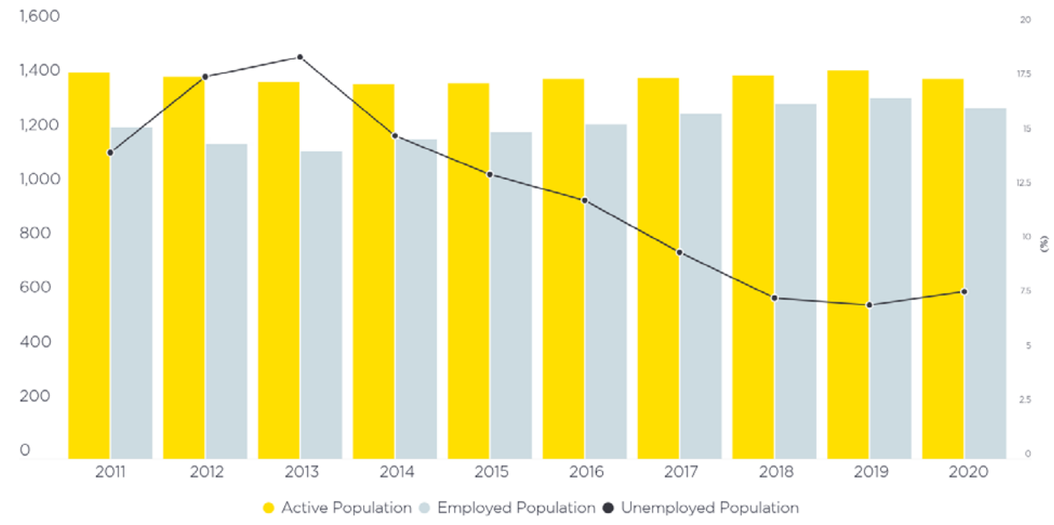
According to information disclosed by AICEP, the most recent investments in the Lisbon market, are also joined by BJSS, CI&T, Cloudflare, Lockwood, NFON, Schréder Hyperion and Springer Nature.

EVOLUTION OF NEW NON-FINANCIAL COMPANIES - LISBON METROPOLITAN AREA



Source: Savills Research analysing INE

EVOLUTION OF ACTIVE, EMPLOYED AND UNEMPLOYED POPULATION
LISBON METROPOLITAN AREA



Source: Savills Research analysing INE

LISBON

WHO'S IN?

BUSINESS SERVICE CENTRES

- ACCENTURE
- ALTRAN
- BNP PARIBAS SECURITIES SERVICES
- BOSCH
- CAPGEMINI PORTUGAL
- CISCO PORTUGAL
- DELOITTE HUB
- IBM
- MERCER
- MICROSOFT
- NESTLE PORTUGAL
- BMW PORTUGAL
- SIEMENS PORTUGAL
- SOLVAY BUSINESS SERVICE PORTUGAL
- THALES PORTUGAL
- DHL EXPRESS
- TECH DATA PORTUGAL
- AXIAN PORTUGAL
- FARFETCH
- GOOGLE

COWORKING SPACES

The municipality of Lisbon has more than 100 co-working spaces, most of which are in the heart of the city and adjacent to the so-called Historic and Riverside Zone.

The increase in co-working spaces has given shape to and created conditions for the proliferation and maintenance of the entrepreneurial spirit so typical of Lisbon´s business ecosystem, providing creative facilities with attractive financial conditions for all those looking for greater contractual flexibility, while establishing networking relationships.

If, when they first appeared, co-working facilities were generally regarded as workspaces geared to freelancers, nowadays the target is far more wide-ranging, attracting start-ups, digital nomads and international companies planning to join the Portuguese market with no delay and test their operating models, for which co-working spaces have proven to be a temporary and flexible solution.

- ÁVILA SPACES
- IDEA PALÁCIO SOTTO MAYOR
- WOOD
- PLACES
- LACS
- SPACES
- REGUS
- HEDENLEAP SETE RIOS
- FACTORY LISBON
- GOLDEN HUB
- SECOND HOME LISBOA
- SITIO WORK

OFFICE MARKET

KEY MARKET INDICATORS 2021

MARKET ZONES	STOCK (SQ.M)	TAKE-UP VOLUME (SQ.M)	TAKE-UP Y-O-Y CHANGE (%)	VACANCY RATE (%)	PIPELINE (SQ.M) 2022 - 2024	PRIME RENT (€/SQ.M/ MONTH)
Prime CBD	560,466	13,885	-44%	8,87%	2,887	€25,00
CBD	923,103	21,564	+20%	4.86%	4,239	€22,00
New Office Zone	562,159	9,487	+33%	10.40%	68,414	€21,00
Historic and Riverside Zone	355,452	4,133	+632%	0.66%	45.800	€20,00
Parque das Nações	464,518	30,190	+16%	9.19%	69,110	€20,00
Western Corridor	968,595	50,185	+11%	16.25%	28.700	€16,50

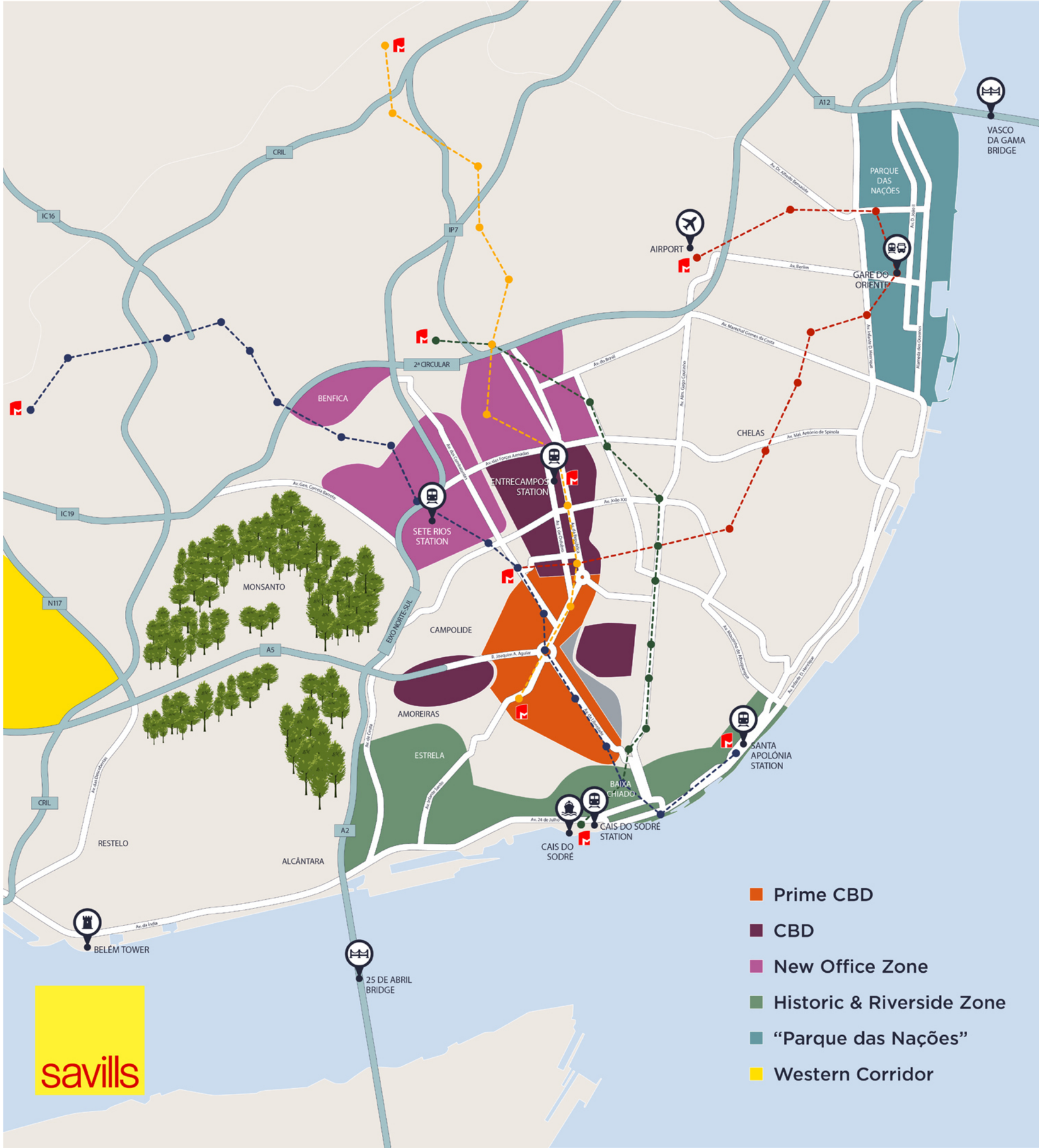
Source: Savills Research

STOCK
4.3 MILLION

VACANCY RATE
8.48%

PIPELINE 2022-2024
242,000 SQ.M (Pre-Let >35%)

PRIME RENT
€25/SQ.M/MONTH



LISBON OFFICE MARKET KNOW THE ZONES

ZONE 1 (PRIME ZONE)

This zone comprises the Av. da Liberdade to Praça Duque Saldanha axis, with a total take-up volume of around 159,000 sq m between the years 2017 and 2021, and is the most prestigious market zone in terms of location, with a predominance of Consultants & Lawyers, Financial and Business Services sectors. The current stock registers 560, 466 sq m with with a vacancy rate of 9.13%.

The prime zone received 57,247sq m of new office space between 2016 and 2021. The emblematic Torre Fontes Pereira de Melo 41, built from scratch with a total area of 18,538 sq.m and occupied by the consultancy firm KPMG and the law firm PLMJ, as well as the deep rehabilitation of the well-known Monumental Building, already pre-leased to Banco BPI.

- **Prime Rent:** € 25,00 sq.m / month
- **Companies present:** BPI; KPMG; PLMJ; Cuatrecasas; Banco de Portugal; CMS; Uría Menendez; Havas; Regus; BNP Paribas; Bankinter; Navigator.

ZONE 2 (CBD ZONE)

This zone comprises the Av. da República, Av. Duque de Loulé and Zona das Amoreiras axis and is adjacent to zone 1 (Prime Zone) and zone 3 (New Office Zone). As is the case with zone 1 (Prime Zone), it has the advantage of a comprehensive road network that ensures a quick connection to the entire Metropolitan Area of Lisbon. Zone 2 (CBD Zone) registered a total take-up volume of approximately 115,000 sq m between 2017 and 2021. It has a total stock of 921.516sq.m, the 2nd biggest stock in the Lisbon office market, of which only 44,875 sq m is available supply.

Zone 2 (CBD Zone) features a diverse ecosystem of sectors of activity, similar to Zone 1 (Prime Zone), but with a greater preponderance of STMT´s &Utilities and Business Service sectors over the last five years.

- **Prime Rent:** € 22 / sq.m / month
- **Companies present:** Teleperformance; IDEAHUB; Critical Software; UBER; AICEP; Grupo CGD; SKY; Allianz; Axians, Pipedrive.

ZONE 3 (NEW OFFICE ZONE)

This zone encompasses the Campo Grande area to the 2nd Ring Road, the Benfica area, Praça de Espanha and Sete Rios. 105,157 sq m of office space were occupied in this market zone between 2017and 2021, and the current vacancy rate stands at 10.40%.

This area received two new office buildings with a total of 12,300 sq.m between 2018 and 2020, In 2023, Tower 3 of the Colombo building is expected to add 34.000 sq m of new offices.

- **Prime Rent:** € 21,00 / sq.m / month
- **Companies present:** Santander Totta; Manpower; Teleperformance; BNP Paribas; Global Media Group; Sitel; Intelcia, Cimpor.

ZONE 4 (HISTORIC AND RIVERSIDE ZONE)

Located on the riverside axis of the city of Lisbon, this zone was built "on-demand" to meet the lack of supply in the most central areas of the Lisbon market. This area has been the site of a number of redevelopment projects in the last few years, which has brought to life new buildings designed for self-occupation and with strikingly differentiated and innovative features that have merged in with the characteristic historical aura of this part of the city. This zone has a current total stock of 355,452 sq m and an residual vacancy rate of 0,66%

- **Prime Rent:** € 20,00 / sq.m / month
- **Companies present:** VDA; Grupo WPP; Abreu Advogados, Lisbon Art Centre & Studios; Sitel; Farfetch, HEDEN.

ZONE 5 (PARQUE DAS NAÇÕES)

This is the perfect example of exclusive investment in real estate development, which resulted in the creation of a new premium area in the Lisbon market. This zone is marked by the significant presence of renowned technology companies, installed in buildings with modern facades and providing a wide range of services, shopping outlets and a comprehensive transport network.

The zone has a total stock of 464,518 sq m and a current vacancy rate of 4.58%. The evident shortage of available supply in this market area will begin to be met with the entry of new projects that will substantially raise the bar in terms of quality and modernity, in addition to providing new models of organisation and experience in workspaces. In this regard, the EXEO project will stand out from the entire existing supply in the Lisbon office market. It is composed of three buildings, the first of which, the 30,000 sq.m Lumnia building, is due for completion in Q1 2022.

- **Prime Rent:** € 20,00/ sq.m / month
- **Companies present:** Teleperformance; Webhelp; Randstad; AGEAS; Tekever; IBM; Vodafone; CTT; Altran; Accenture; Axians, Critical Techworks, Rovensa.

ZONE 6 (WESTERN CORRIDOR)

This zone comprises the Porto Salvo and Alfragide A5 axis. It is known for its Office Parks, namely: Lagoas Park, Alfapark, Parque Suecia, Quinta da Fonte, Tagus Park, Sintra Business Pak and Arquiparque.

This zone registered a total take-up volume of 246,651 sq m between 2017 and 2021, setting it apart from the other market zones. With a stock of 968,595 sq m the highest in the Lisbon Office Market, its current vacancy rate stands at 16,25%.

In terms of future projects, Zone 6 will be home to the multi-purpose World Trade Center project, which includes the construction of two office buildings with a total area of 25,000 sq.m.

- **Prime Rent:** € 16,50/ sq.m / month
- **Companies present:** Coriant Portugal; Auchan; Nokia Solutions; Google; Janssen Cilag; L´Oreal; Thales; Outsystems, Novo Banco.

ZONE 7 (OTHER ZONES)

This zone houses all the buildings located beyond the limits of the previously defined zones. Given the current shortage of supply in the market, this zone has been attracting more operations, generating new expansion zones. Beato, Anjos and Almirante Reis are some of the areas that have attracted the interest of certain companies. 39% of the total deals done registered in zone 7 in the past five years were directed to offices space above 1,000 sq m. registered in Zone 7 in the past five years involved areas greater than 1,000 sq.m.

In terms of future projects, this area will be home to the 30,000 sq.m Beato Creative Hub project, which features several highly original concepts. Mercedes' technology centre in Portugal, Mercedes-Benz.io, will be the first occupant of the Factory area, a German co-working space company due to occupy 10,000 sq.m of this project.

KNOW THE ZONES

LISBON OFFICE MARKET KNOW THE NUMBERS

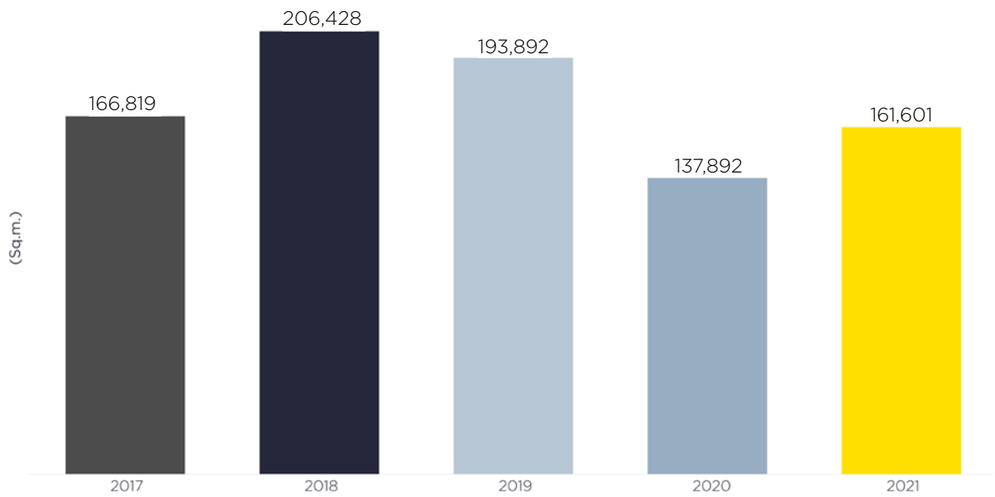
2020 was an unprecedented year, with direct consequences on the performance of all sectors of activity. The Lisbon office market registered the lowest take-up volume since 2016, with the closure of an approximate take-up of 138,000 sqm, which represents a decrease of 29% compared to 2019 and a decrease of 20% compared to the average take-up volume of the last 5 years.

Decision-making processes were put on hold, with the Prime CBD zone (Zone 1) closing the year down 51% compared to 2019. More resilient were the Western Corridor zones (Zone 6) at -8%, Parque das Nações (Zone 5) at -9% and the CBD zone (Zone 2) at -19%.

With the start of the year 2021 in full lockdown the forecasts took into consideration a more hybrid working model, with remote work still being a reality for most of the companies and a postponement of decision-making processes, in the face of the uncertainty of the pandemic.

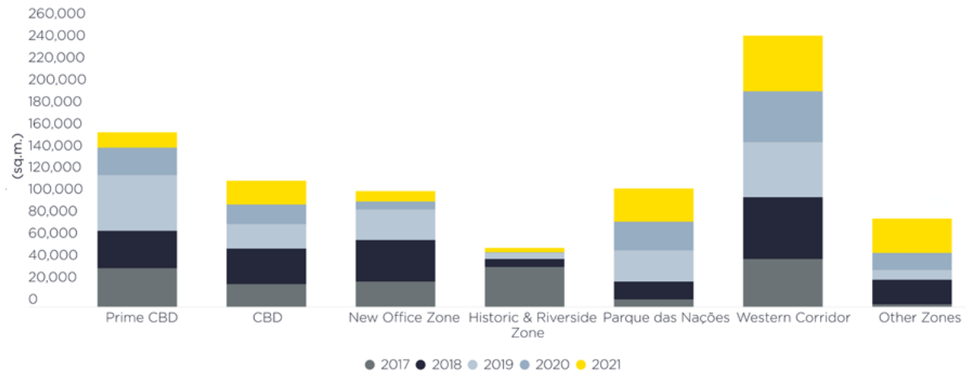
Nevertheless, by the end of 2021, the take-up volume exceeded in 17% the 2020 results, demonstrating the resilience of the Lisbon office market.

EVOLUTION OF TOTAL TAKE-UP - LISBON OFFICE MARKET



Source: Savills Research analysing LPI

EVOLUTION OF TOTAL TAKE-UP - BY MARKET ZONE



Source: Savills Research analysing LPI

Western Corridor and Prime CBD Zone are the market zones with the highest take-up volume in the last five years.

Between 2017 and the end of 2021, the Prime CBD zone (Zone 1) added an approximate take-up of 159,000 sqm the result of 180 transactions, of which 47% relate to spaces up to 300 sqm and 31% to office spaces with GLA between 300 - 800 sqm.

The largest operation was carried out by the financial institution BPI, through the leasing of the entire Monumental Building, totally rehabilitated by Merlin Properties. Also Regus, Uría Menendez, CMS, PLMJ, KPMJ, Cuatrecasas are other renowned companies that make up the list of the largest operations, above 5,000 sq m, resulting from relocations processes in the Prime CBD (Zone 1).

The financial services, consultants and lawyers and business services activity sectors have been the most active in the Prime CBD zone, accounting for 68% of the total take-up volume between 2017 and 2021.

KNOW THE NUMBERS

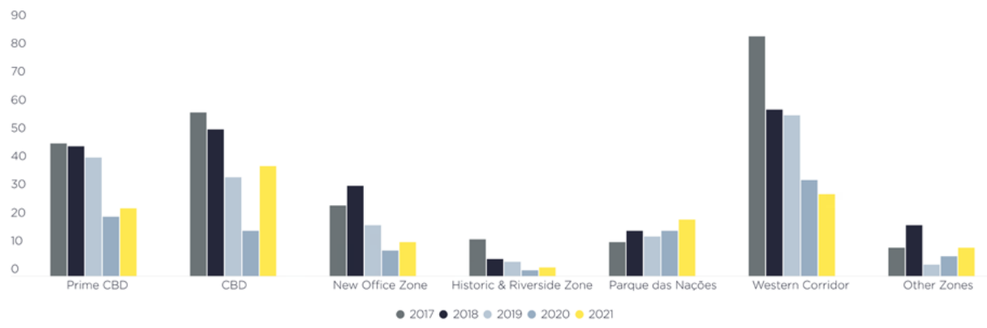
55% of the total deals done in the Lisbon Office Market over the last five years are the result of building relocation processes, with 42% of the number of deals done for this demand being directed towards office space up to 300 sq m and 31% for office areas between 300 sq m - 800 sqm.

At the end of the year 2021, the Prime CBD zone presents a vacancy rate of 8,87%, the 4th lowest in the Lisbon office market, corresponding to approximately 50,000 sq m of available office space, which is quite a residual value given the high demand and dynamism of the market.

With an approximate stock of 560,500 sq m, since the year 2016 more than 60,000 sq m of new office buildings have entered this market zone, of which 70% of the new GLA is the result of deep rehabilitation processes of existing buildings.

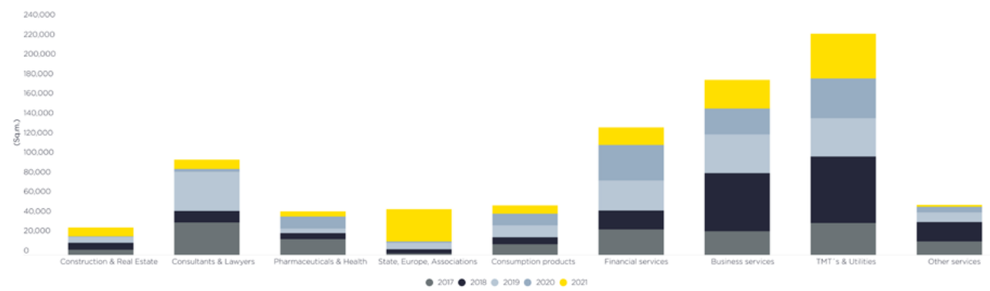
The only project built from scratch was completed in 2019, Torre Fontes Pereira de Melo 41, the current headquarters of KPMJ and PLMJ companies, sold by ECS to DEKA in the same year for €125 million.

EVOLUTION OF TOTAL NUMBER OF DEALS DONE - BY MARKET ZONE



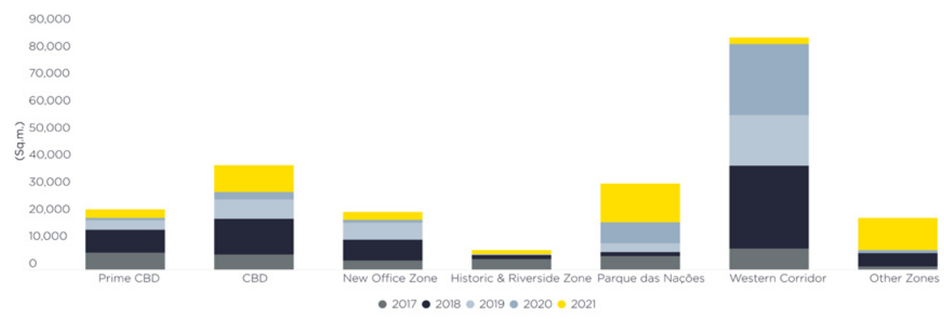
Source: Savills Research analysing LPI

EVOLUTION OF TOTAL TAKE-UP - BY BUSINESS SECTOR MARKET



Source: Savills Research analysing LPI

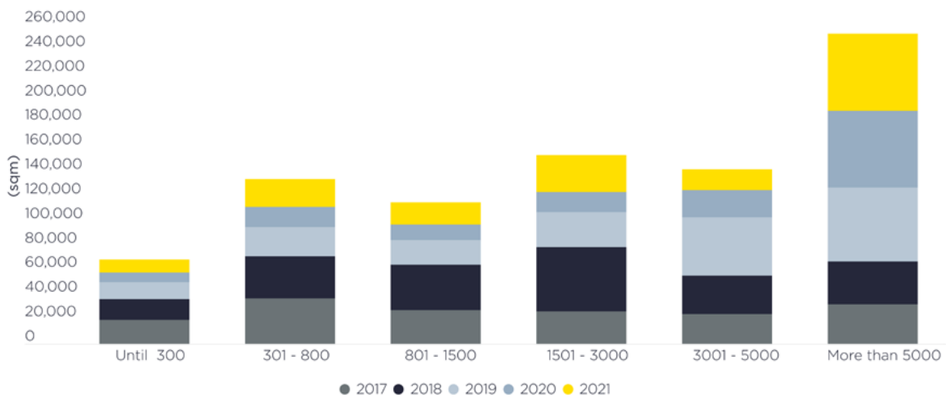
EVOLUTION OF TOTAL TAKE-UP - TMT'S SECTOR



Source: Savills Research analysing LPI

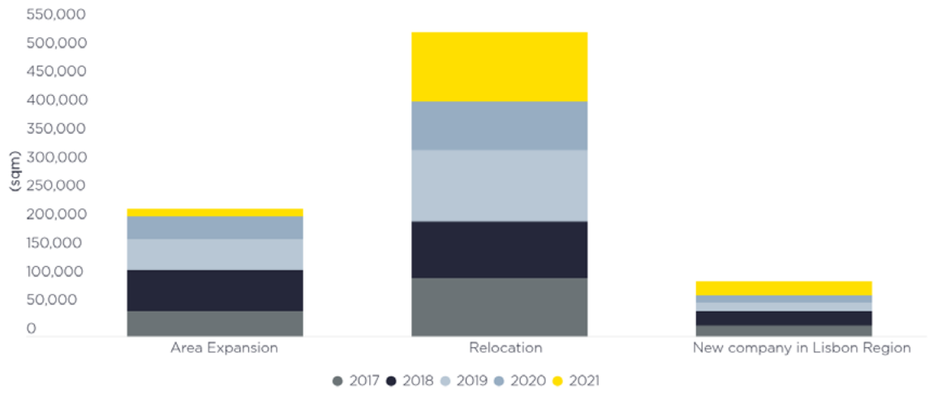
KNOW THE NUMBERS

EVOLUTION OF TOTAL TAKE-UP - BY INTERVAL AREA



Source: Savills Research analysing LPI

EVOLUTION OF TOTAL TAKE-UP - BY DEMAND REASON



Source: Savills Research analysing LPI

The Western Corridor (Zone 6) has proven to be an excellent option for companies looking for larger spaces at competitive prices.

Since 2017, the Western Corridor (Zone 6) has had a total take-up volume of slightly over 246,000 sq m, with 2018 being the strongest year in the last 5 years with a take-up of approximately 56,200 sq m, only surpassed by 2007 and 2008 which had annual take-ups of over 60,000 sq m.

49% of the number of deals done between 2017 and 2021 were for spaces up to 300 sq m and 25% for offices between 300 sq m - 800 sq m. Even though only 3% of the deals done were for demands above 5,000 sq m, these operations represented a weight of 32% in the total take-up volume transacted.

TMT´s companies account for 35% of the total take-up volume, followed by a smaller percentage of consumption products companies (13%) and Pharmaceuticals companies (12%).

Nokia Solutions, Google, Janssen Cilag, Trust in News, Thales, SAP, Accenture and Outsystems are some of the most renowned companies that have elected the Western Corridor to relocate their business activity, outside the central zones of the city. Since 2016, the Western Corridor (Zone 6) has seen a steadier increase in demand, benefiting from a lack of available supply of increasingly residual quality in the more central areas of the Lisbon office market.

Despite presenting a supply of used buildings slightly above 157,000 sq m, translated into the highest vacancy rate in the market of 16,25%, the Western Corridor also presents a limited range of quality supply available. Lagoas Park is currently the most modern Business Park, home to many international companies, such as Google, which has allowed this area to grow and to host a very important business fabric for Portugal's recognition in the international business panorama.

Compared to more central locations, the Western Corridor, situated between the A5 axis to Porto Salvo and Alfragide, lacks a more structured and complete public transport network that allows a direct connection to various points in the city of Lisbon. **However, given the current supply available in the market, many companies choose the Western Corridor, benefiting from a more competitive rent/sq m value compared to more central areas.**

Currently with a prime rent of 16,50€/sq m, the Western Corridor has seen an upward trend in rents which became more evident during the pandemic period.

With the extension of the remote work model to the reality of most companies but also with the need for many companies to rethink their office space and the conditions offered to their employees, applying a policy of well-being, companies have also extended their search for new premises to new locations.

The Western Corridor has benefited from a new demand from companies especially dedicated to the TMT sector that cannot find immediate occupation solutions in other zones of the Lisbon office market, such as the Parque das Nações (Zone 5), considered the destination zone of choice for New Technologies and Communication companies.

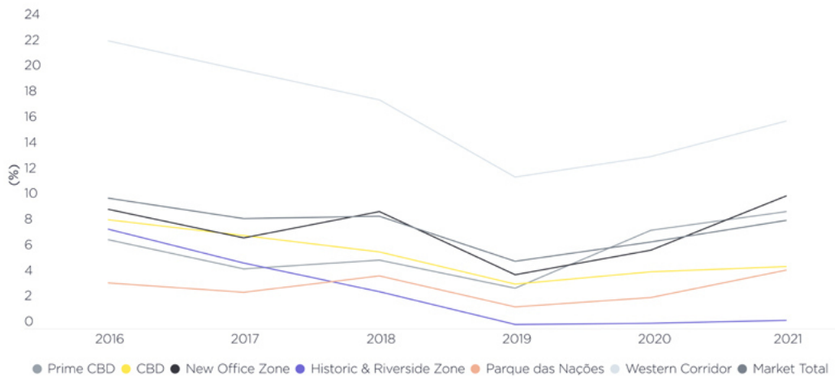
The increase in demand combined with a still scarce supply is leading to a renewed interest in the development of new projects. In the pipeline, the most significant project is the World Trade Center, which will have a GLA of office space of 25,000 sq m divided into two office buildings, scheduled for completion in 2022.

Parque das Nações (Zone 5) Tech and innovation destination

Aimed as the new destination zone for projects in the pipeline built from scratch, which will raise the bar for factors such as quality, innovation and modernity that will allow companies to apply new models for working and living in office spaces.

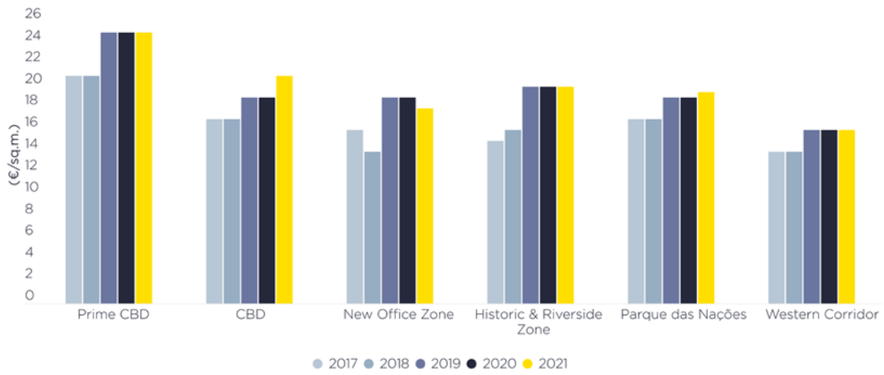
KNOW THE NUMBERS

EVOLUTION OF VACANCY RATE - BY MARKET ZONE



Source: Savills Research analysing LPI

EVOLUTION OF PRIME RENTS - BY MARKET ZONE



Source: Savills Research analysing LPI

With a privileged river front location and proximity to Lisbon Airport, it benefits from the presence of the most complete transport network in Lisbon, with links to trains, buses and underground.

In Q1 2022, the new Lumnia building, one of the three buildings that make up the EXEO project, will add 27,600 sq m to the area's stock. In 2022, the K Tower will also be completed, with 13,875 sq m, 94% of which is already pre-let.

As of 2019 more than 100,000 sqm of office space has already been secured through pre-letting contracts, with 32% of the total number of deals closed targeting areas above 5,000 sqm, carried out by financial entities, TMT's and consultants, resulting from building relocation processes.

The increase of pre-letting contracts expresses the shortage of supply currently available in the market and assumes itself as a strategy to guarantee the occupation of the best offices, in the best projects.

From the start of the Pandemic, 2 March 2020, until roughly Q4 2020, the market saw a reversal of the negotiating power cycle - it is no longer the landlord holding this power, but the tenant. Why? Factors such as the possibility of significantly reducing the office space , requesting the postponement of rent payments and even rent forgiveness, and also deciding the permanent closure of premises giving the full adoption of working from home model.

Due to the uncertainty and pressure from the tenants, the market witnessed a greater flexibility and even creativity from the landlords, whether in the acceptance of staggered rents, a greater number of rent-free periods , a greater willingness to contribute to the fit out or even in the flexibility of the duration of the contracts.

By the end of the year 2021 this cycle is over. The market fundamentals remain strong. Due to an imbalance, Lisbon city as an increasingly target for large multinational companies or even startups, who want to be located and benefit from safety, good climate, quality of education, competitive wages and qualified workforce.

Even the organisations that decided to put all their workers working remotely quickly realised that not only was productivity not the same, but also the well-being of the workers was not the desired one, and consequently these same companies started migrating to the hybrid working system.

Unlike in 2020, the office market in Lisbon is not witnessing the default and requests for renegotiation of rents by tenants, but rather a displacement, mostly of companies with less financial availability to other zones of the Office Market where rents are still lower or to buildings with less quality. Compared to other European capitals, Lisbon has one of the lowest values per sq m. International occupiers, due to their size and importance, have greater negotiating power, reflected more in the incentives granted by landlords and less in the rental values agreed.

MARKET VALUES: UPWARD TREND

The prime rent remains stable at 25 euros/ sq m/month, sustained by the still existing imbalance between supply and demand. Despite the pandemic context having caused a significant decrease in the take-up volume of the Lisbon office market, the strong market fundamentals allied to the scarcity of good quality supply and to a demand that remains firm have managed not only to guarantee the stability of rental values in all market zones but have also led to upward pressure on rents.

In zone 1 (Prime CBD), upward pressure on rents is imminent due to the lack of supply and the high level of attractiveness of this central area of Lisbon to investors. Also in Parque das Nações (zone 5), upward pressure on rents is evident, driven by the entry of new top quality projects.

LISBON
MAIN PROJECTS
2022 - 2023

EXEO LUMNIA
Q1 2022
Zone 5
27,600 sq m

WORLD TRADE CENTER BLOCK 1 | 2
Q2 2022
Zone 6
25,000 sq m

K TOWER
Q2 2022
Zone 5
13,875 sq m
Owner-occupier

TOTAL 2022
79,502 sq m

ALCÂNTARA LISBON OFFICE BLOCK 1 | 2
Q1 2023
Zone 4
34,400 sq m

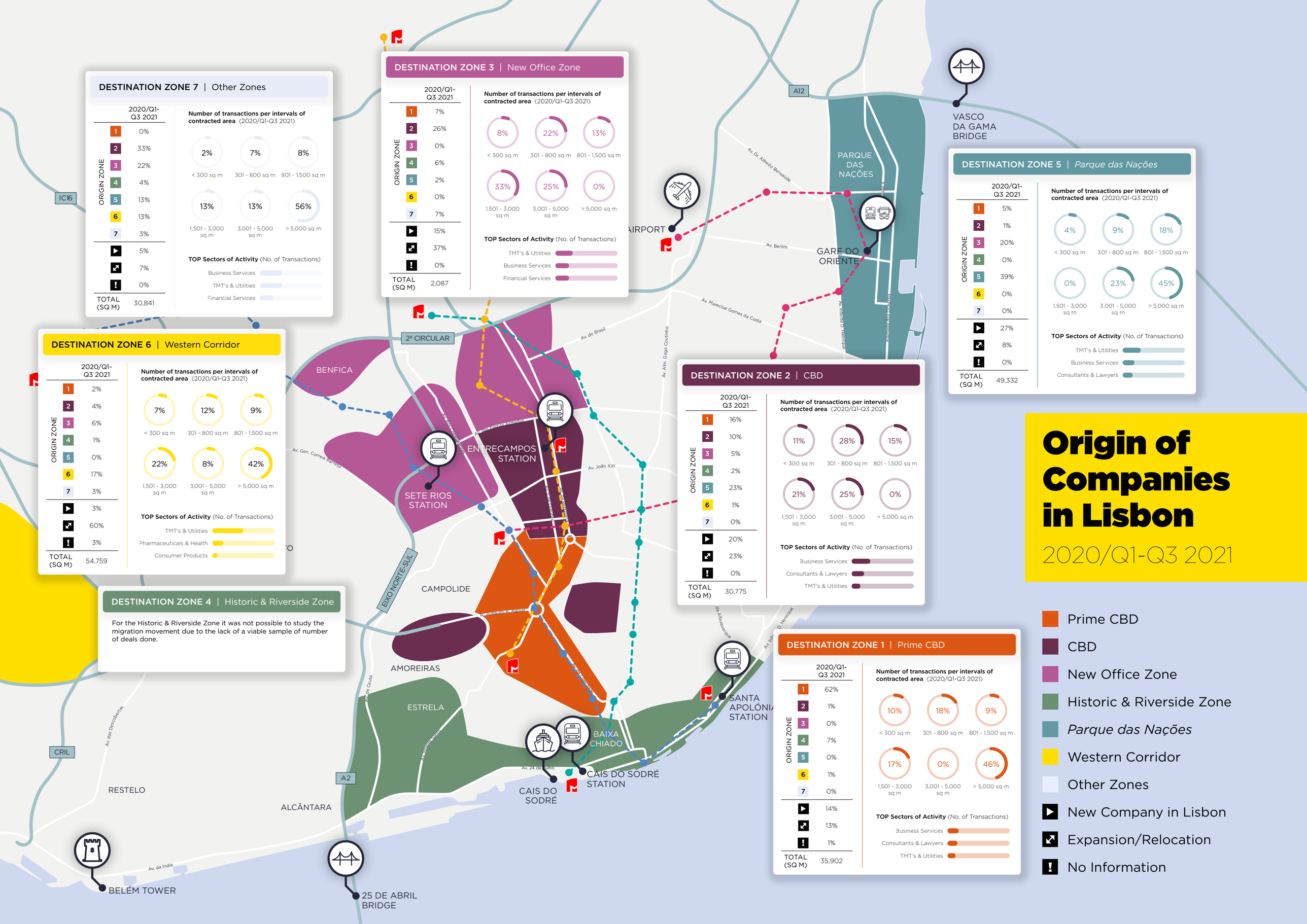
FIDELIDADE ÁLVARO PAIS
Q4 2023
Zone 2
41,000 sq m

COLOMBO 3RD TOWER
Q4 2023
Zone 3
31,450 sq m

TOTAL 2023
131,153 sq m

Origin of Companies in Lisbon

2020/Q1-Q3 2021



DESTINATION ZONE 7 | Other Zones

ORIGIN ZONE	2020/Q1-Q3 2021
1	0%
2	33%
3	22%
4	4%
5	13%
6	13%
7	3%
▶	5%
⤢	7%
!	0%
TOTAL (SQ M)	30,841

Number of transactions per intervals of contracted area (2020/Q1-Q3 2021)

< 300 sq m	301 - 800 sq m	801 - 1,500 sq m
2%	7%	8%

1,501 - 3,000 sq m	3,001 - 5,000 sq m	> 5,000 sq m
13%	13%	56%

TOP Sectors of Activity (No. of Transactions)

- Business Services
- TMT's & Utilities
- Financial Services

DESTINATION ZONE 3 | New Office Zone

ORIGIN ZONE	2020/Q1-Q3 2021
1	7%
2	26%
3	0%
4	6%
5	2%
6	0%
7	7%
▶	15%
⤢	37%
!	0%
TOTAL (SQ M)	2,087

Number of transactions per intervals of contracted area (2020/Q1-Q3 2021)

< 300 sq m	301 - 800 sq m	801 - 1,500 sq m
8%	22%	13%

1,501 - 3,000 sq m	3,001 - 5,000 sq m	> 5,000 sq m
33%	25%	0%

TOP Sectors of Activity (No. of Transactions)

- TMT's & Utilities
- Business Services
- Financial Services

DESTINATION ZONE 5 | *Parque das Nações*

ORIGIN ZONE	2020/Q1-Q3 2021
1	5%
2	1%
3	20%
4	0%
5	39%
6	0%
7	0%
▶	27%
⤢	8%
!	0%
TOTAL (SQ M)	49,332

Number of transactions per intervals of contracted area (2020/Q1-Q3 2021)

< 300 sq m	301 - 800 sq m	801 - 1,500 sq m
4%	9%	18%

1,501 - 3,000 sq m	3,001 - 5,000 sq m	> 5,000 sq m
0%	23%	45%

TOP Sectors of Activity (No. of Transactions)

- TMT's & Utilities
- Business Services
- Consultants & Lawyers

DESTINATION ZONE 6 | Western Corridor

ORIGIN ZONE	2020/Q1-Q3 2021
1	2%
2	4%
3	6%
4	1%
5	0%
6	17%
7	3%
▶	3%
⤢	60%
!	3%
TOTAL (SQ M)	54,759

Number of transactions per intervals of contracted area (2020/Q1-Q3 2021)

< 300 sq m	301 - 800 sq m	801 - 1,500 sq m
7%	12%	9%

1,501 - 3,000 sq m	3,001 - 5,000 sq m	> 5,000 sq m
22%	8%	42%

TOP Sectors of Activity (No. of Transactions)

- TMT's & Utilities
- Pharmaceuticals & Health
- Consumer Products

DESTINATION ZONE 4 | Historic & Riverside Zone

For the Historic & Riverside Zone it was not possible to study the migration movement due to the lack of a viable sample of number of deals done.

DESTINATION ZONE 2 | CBD

ORIGIN ZONE	2020/Q1-Q3 2021
1	16%
2	10%
3	5%
4	2%
5	23%
6	1%
7	0%
▶	20%
⤢	23%
!	0%
TOTAL (SQ M)	30,775

Number of transactions per intervals of contracted area (2020/Q1-Q3 2021)

< 300 sq m	301 - 800 sq m	801 - 1,500 sq m
11%	28%	15%

1,501 - 3,000 sq m	3,001 - 5,000 sq m	> 5,000 sq m
21%	25%	0%

TOP Sectors of Activity (No. of Transactions)

- Business Services
- Consultants & Lawyers
- TMT's & Utilities

DESTINATION ZONE 1 | Prime CBD

ORIGIN ZONE	2020/Q1-Q3 2021
1	62%
2	1%
3	0%
4	7%
5	0%
6	1%
7	0%
▶	14%
⤢	13%
!	1%
TOTAL (SQ M)	35,902

Number of transactions per intervals of contracted area (2020/Q1-Q3 2021)

< 300 sq m	301 - 800 sq m	801 - 1,500 sq m
10%	18%	9%

1,501 - 3,000 sq m	3,001 - 5,000 sq m	> 5,000 sq m
17%	0%	46%

TOP Sectors of Activity (No. of Transactions)

- Business Services
- Consultants & Lawyers
- TMT's & Utilities

LISBON
WHERE ARE COMPANIES GOING?

MIGRATION MOVEMENTS

198 DEALS DONE
2020 - Q3 2021

105 DEALS DONE
Year 2020
y-o-y: -29%

93 DEALS DONE
Q1 - Q3 2021
y-o-y: -21%

WHERE FROM?*
2020 - Q3 2021

28% Prime CBD

20% CBD

15% Parque das Nações

13% Western Corridor

9% New Offices Zones

8% Historic & Riverside

7% Other Zones

WHERE TO?
2020 - Q3 2021

NEW COMPANIES IN LISBON

12% take-up
30% Parque das Nações
24% CBD

RELOCATION

66% take-up
27% Parque das Nações
19% Western Corridor
18% Prime CBD

EXPANSION OF AREA

21% take-up
53% Western Corridor
16% CBD

*: Of the 198 deals done in the period 2020 - Q3 2021, 105 deals were considered for which it was possible to ascertain previous addresses.

LISBON MIGRATION MOVEMENTS

Between 2020 and Q3 2021, 198 deals done were recorded in the Lisbon office market . Compared to the results observed in previous years, the year 2020 accounted for the lowest take-up volume since the year 2014.

At a time of pandemic, understanding companies' strategies, which factors have been valued and prioritised in the name of the safety and well-being of employees, has taken on an increased importance.

Whether relocating, expanding current premises, or opening new offices, companies take into consideration and detailed analysis a set of factors crucial to the success of their decision making. One of the main factors for the establishment of companies is undoubtedly the location.

However, in the current market context where there is an imbalance between supply and demand, changing location to guarantee better premises in more up-to-date buildings is already a reality. And this implies that the zones of the Lisbon market have been increasingly enlarged, since multinational companies, such as Google, Samsung, Cisco, among others, disperse from the city centre to non-CBD market zones.

Each zone of the Lisbon office market presents a set of distinct characteristics that will have an impact on the future development of the business and gain or not the loyalty of the companies that choose to implement there. The adjacent reasons for the choice of zone are innumerable, from the centrality, set of services and available transport network, price/sqm relation and quality of the space, amongst others.

But in an equation with so many factors at play and with the lack of supply, can companies remain loyal to the areas of choice?

Where did the companies that choose Lisbon to open, relocate or expand their business come from and where are they going?

WHERE FROM?

63% of closed deals resulting from relocation and expansion processes originated from companies located in the Prime Zone (Zone 1), closely followed by companies previously located in the CBD Zone (Zone 2) and Parque das Nações (Zone 5).

BPI, Critical Techworks, BI4ALL, WebHelp, Infosistema, IdeaHub and Whitestar are part of the group of companies that during the period under analysis, changed premises or expanded their office space to areas greater than 4,000 sqm.

Companies dedicated to the TMT's sector were the most active, with more than 44,000 sq m contracted, representing 41% of the total volume of occupied GLA between 2020 and the 3rd quarter of 2021.

The Financial Services sector was the second most active sector, accounting for 35% of total GLA occupied. Renowned financial institutions such as BPI, Cofidis, BNP Paribas and Santander Consumer are part of a group of 21 companies and financial institutions that concluded change or expansion processes.

WHY MOVE?

- **64% | Better working conditions for employees**
- **56% | Company growth**
- **40% | Move to a more modern building**
- **34% | Internal Restructuring**

* Important note: the percentages indicated also include companies that closed deals in 2019.

WHERE TO?

Of the 198 businesses closed during the period under study, 31 reflect the opening of new companies, mostly in the TMT sector and with 30% of the GLA contracted in zone 5 (Parque das Nações).

The Western Corridor had the largest share with 50 leasing operations, followed by zone 2 (CBD) with 44 deals done, and by zone 1 (Prime CBD) which registered 38 transactions. These three zones represent 67% of the number of transactions closed in the Lisbon office market in the period under analysis.

Regarding the loyalty rate, the first place goes to zone 1, the Prime CBD, where 62% of the take-up volume comes from companies that were already located in this market area. However, and notwithstanding the statistical data, it is important to realise that the BPI transaction for the Monumental building is the main reason for this loyalty rate, since this transaction was for 16,441 sq m, more than 76% of the total take-up volume of zone 1, between 2020 and 2021.

The second axis with the highest loyalty rate is Parque das Nações, with around 39% of companies migrating within this same axis. Parque das Nações, being known as a technological hub in the city of Lisbon, had a large increase in transaction volume due to the growth in the TMT's & Utilities sector. Moreover, as innovative projects are being built, such as K Tower and Exeo, which will add almost 80,000 sq m to this market area, a higher take-up as well as a higher loyalty rate can be expected in the coming years.

Western Corridor is the market zone with the third-highest loyalty rate with 17%. Zone 6, had the highest number of transactions and the highest take-up volume between 2020-Q3 2021, confirming the willingness of companies to establish themselves outside the city centre. Although the transport network does not favour the Western Corridor, it is believed that the hybrid regime between remote and face-to-face work has made companies see zone 6 as an alternative. In addition to the new nuances of the pandemic climate, the Western Corridor has also benefited from the lack of good quality supply in central areas and from competitive pricing.

WHAT WERE THE MOST IMPORTANT FACTORS IN THE SELECTION PROCESS FOR THE NEW PREMISES?

- **72% | Location**
- **58% | Flexibility**
- **48% | Transport Network**
- **48% | Services / Retail**
- **48% | Importance of the companies located in the surrounding area**

* Important note: the percentages indicated also include companies that closed deals in 2019.

ESG ENVIRONMENT SOCIAL GOVERNANCE

- **PRESTIGE AND POSITIONING** of the building, as an example of the corporate social responsibility model;
- **ATTRACT AND RETAIN** talent, clients and investments;
- **PROMOTE** comfort and well-being.

WHY SHOULD I CERTIFY MY ASSET?

"The occupancy rate of sustainability-certified buildings will increase by 9.3% in the next 12 months, significantly more than the 2.1% registered in the general market last year".

QUANTITATIVE BENEFITS

- **LESS OPERATING EXPENSES**
- **FASTER RENTAL**
- **HIGHER RENT**
- **HIGHER VALUE**

Sustainable buildings have a higher sale value and are rented faster at prime rent values.

INVESTMENT WELL / WELL-BEING

A combination of best practices in design and construction with evidence-based scientific and health research - promoting buildings as vehicles to support human health and well-being.

70%
INCREASE IN ATTRACTING AND RETAINING TALENT

30%
REDUCTION IN ABSENTEEISM

35%
INCREASE IN PRODUCTIVITY

8% - 11%
INCREASE IN COGNITIVE RESPONSE

SAVILLS AND OUR ROLE IN SUSTAINABILITY

In Portugal since January 2018 through the acquisition of Aguirre Newman, Savills has been providing prestigious national and international clients with guidance. They are one of the world's leading real estate consulting firms, with an international network of more than 39,000 employees at a total of 600 offices located in Europe, Pacific Asia, Africa, America and the Middle East.

We use a 360º approach, in which all the company´s departments work in coordination to guarantee our clients the best services in an integrated and global manner. Our team's performance is backed by our in-depth knowledge of the market, based on an objective view of current and future trends resulting in our clients making better decisions.

Our strength has been acknowledged throughout our history and accumulated experience by our clients and several renowned entities, such as the Best Real Estate Consultant in Portugal award by Jornal Construir, the Building Excellence Awards, The Props and UK Business Super Brands in London - Savills Plc., by the Estate Gazette Awards, LABC; and the Best Real Estate Consultant in Spain award by EuroMoney magazine. In Portugal, the company was awarded the Work Excellence Index prize by Neves de Almeida | HR Consulting in 2019.

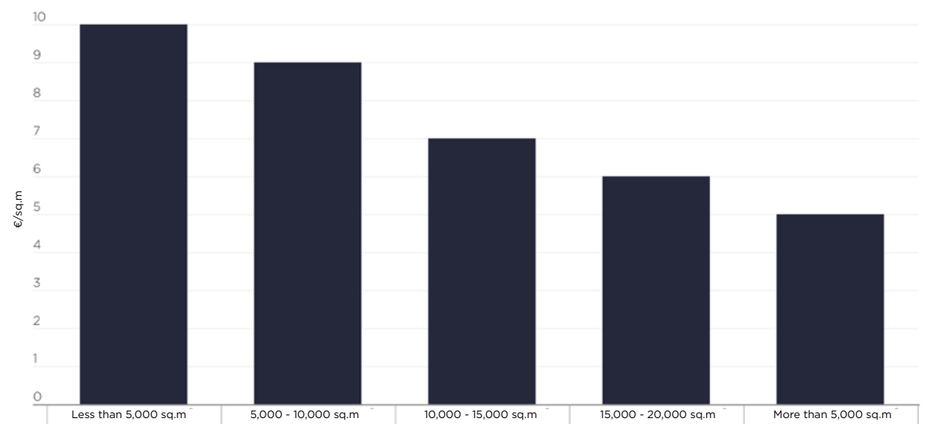
In terms of sustainability, Savills saw its team's strength and talent recognised by being the first company in Portugal to have two architects accredited with BREEAM AP and WELL AP, thereby underlining the depth of the company´s consultancy department.

Savills became a member of BCSD Portugal - Companies for Sustainability this year, subscribing to its Charter of Principles. We joined the Business Mobility Pact for the city of Lisbon along with 119 other firms, based on the different initiatives implemented in the company´s working methods, thereby contributing to more sustainable mobility in the Portuguese capital.

In the coming years we will deal with our challenges and create a better world for the present and future through the implementation of projects and establishing relationships with partners, suppliers and clients.

In the European Union, buildings are responsible for 40% of carbon dioxide emissions and 35% of the consumption of raw materials, with 50% of solid waste generated by the construction sector. The only way we can meet the goals set for the coming years ahead is through the execution of projects geared to mitigating these issues.

VOLUME OF INVESTMENT



Source: Department of Architecture Savills Portugal

"Three years later, the current reality of the office market in Lisbon is faithful to the results reported at that time, in terms of the growing concern of companies to optimise and innovate."

savills