

PORTUGAL REAL ESTATE SUMMIT

Business as usual in the aftermath of Covid-19

PAULO SILVA | SAVILLS
ERIC VAN LEUVEN | CUSHMAN & WAKEFIELD
FRANCISCO HORTA E COSTA | CBRE

29 & 30
SEPTEMBER 2021

01.

THE
PRESENT

PAULO SILVA | SAVILLS





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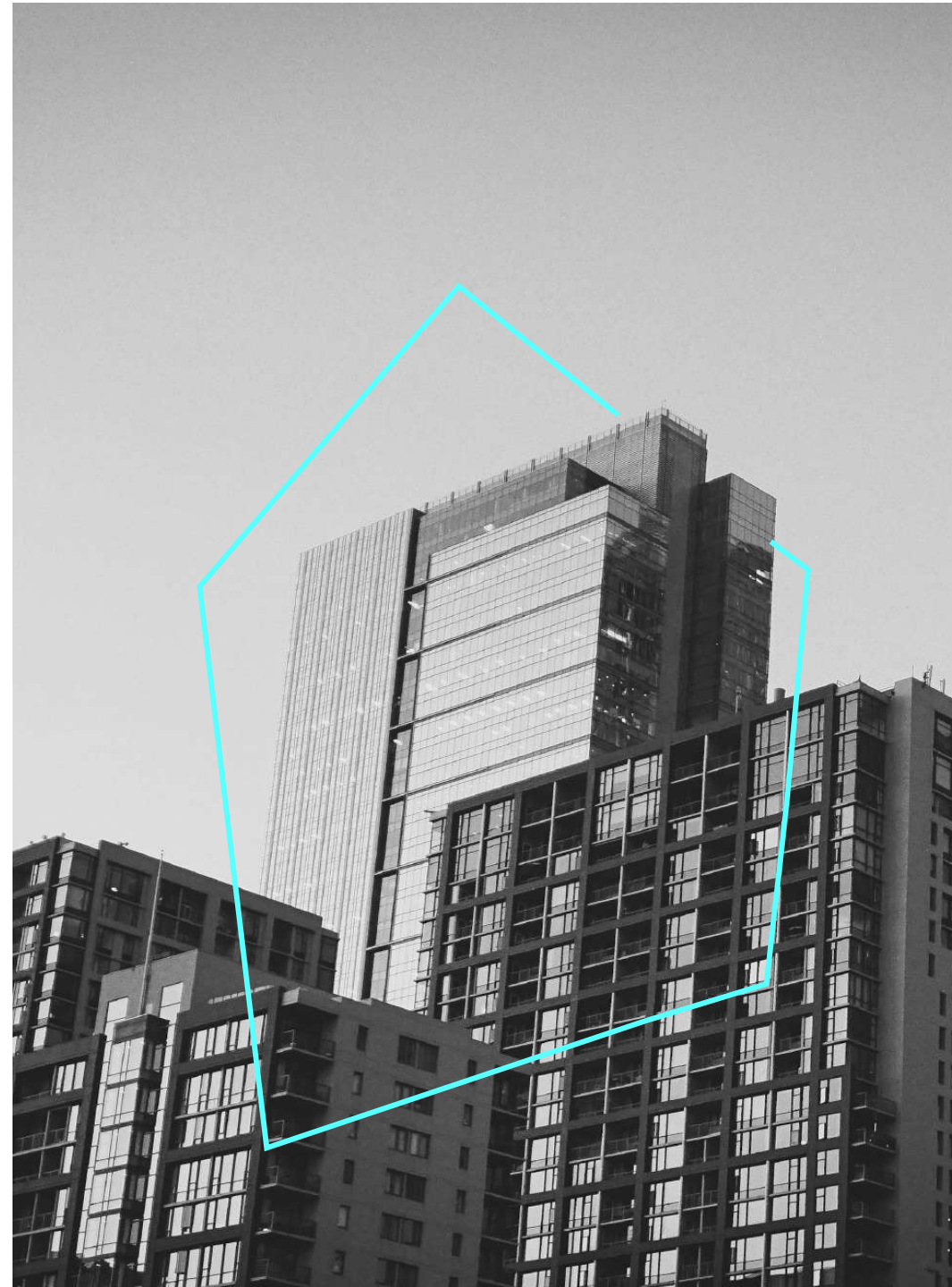
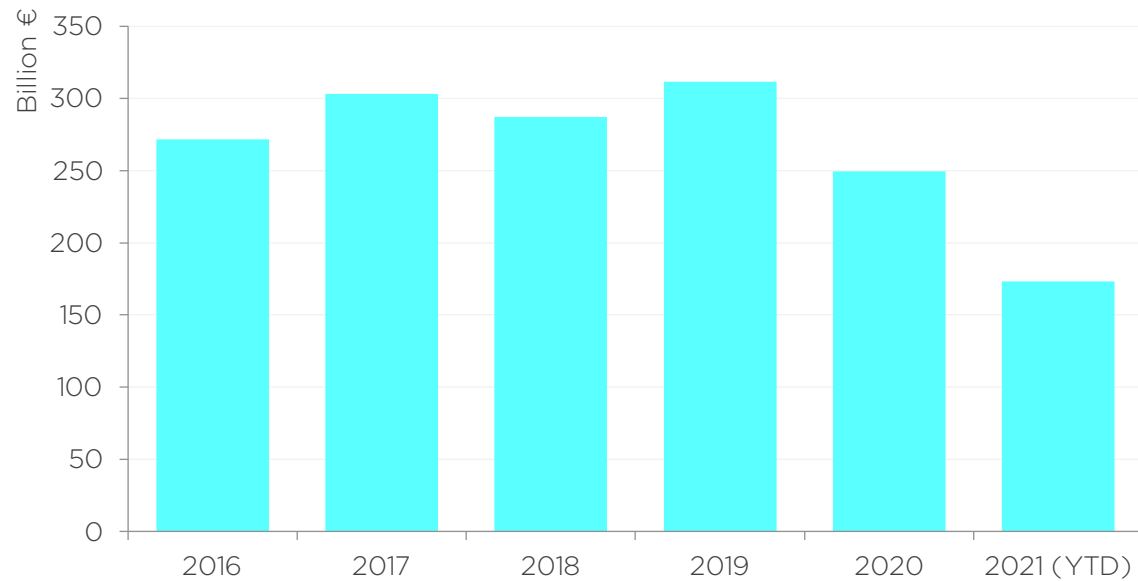
DANGER

機

OPPORTUNITY

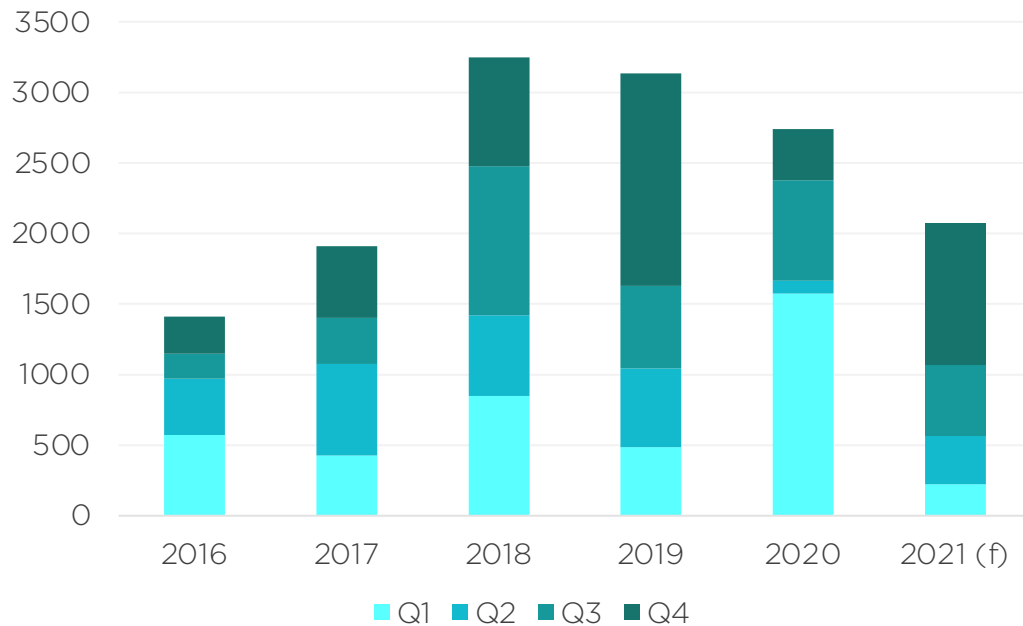
Positive evolution of real estate investment **in Europe**

TOTAL COMMERCIAL REAL ESTATE INVESTMENT VOLUME



Investment outlook in Portugal

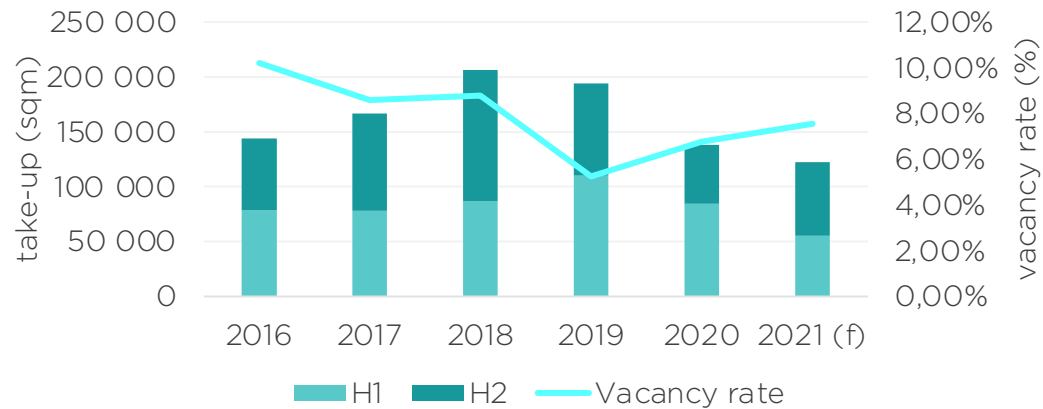
TOTAL COMMERCIAL REAL ESTATE INVESTMENT VOLUME



- Investment picked up over the Summer
- 2021 expected to show the 4th highest investment volume: ca. **€2bn**
- Strong investment in the office sector
- Retail : still suffering from pandemic crisis side effects
- More active demand for food units
- Logistics, hospitality and alternative segments firmly on the radar of international investors

INVESTMENT

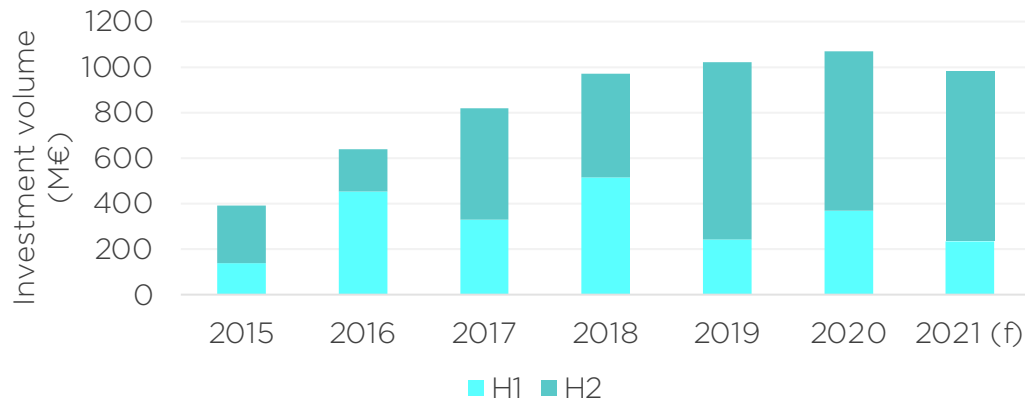
LISBON OFFICE TAKE-UP & VACANCY RATE



Let's get back to the office

**Take-up forecast:
120,000 sqm**

PORTUGAL OFFICE INVESTMENT VOLUME

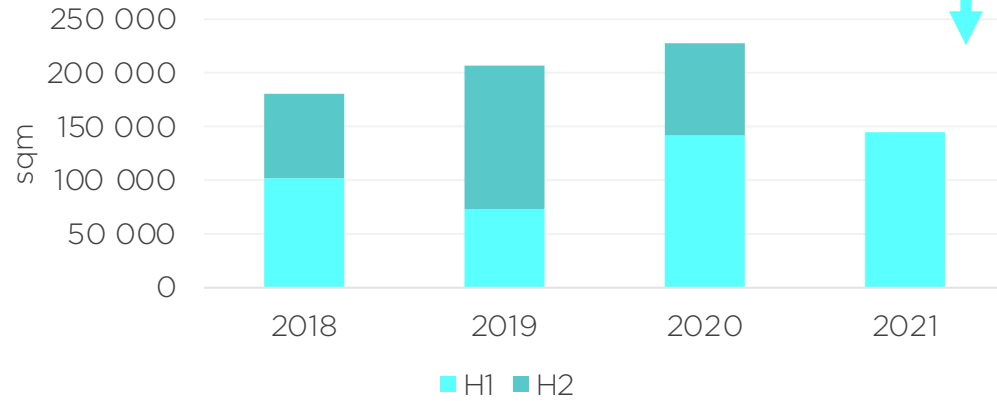


- More hybrid working models
- Year-end take-up probably at low levels in 2021
- But demand is high: TMT's and Financial Services main driving forces
- Low availability of quality spaces placing pressure on rents
- Investment remains robust and is attracting new players

Y-O-Y

2.3% 2020
96% 2019
62% 2018

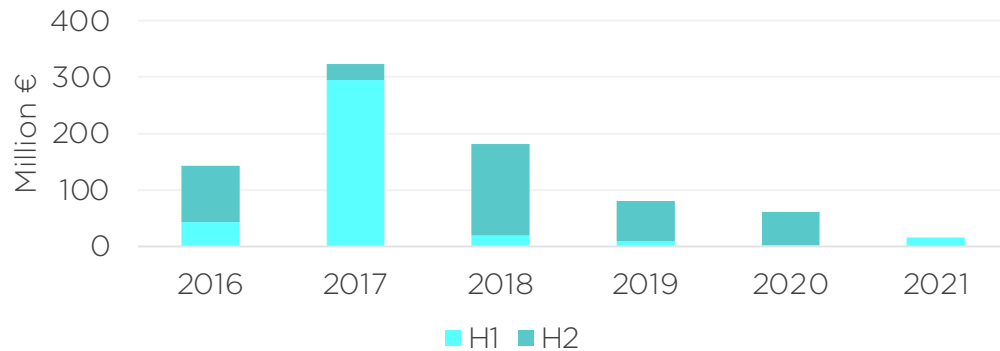
INDUSTRIAL & LOGISTICS TAKE-UP



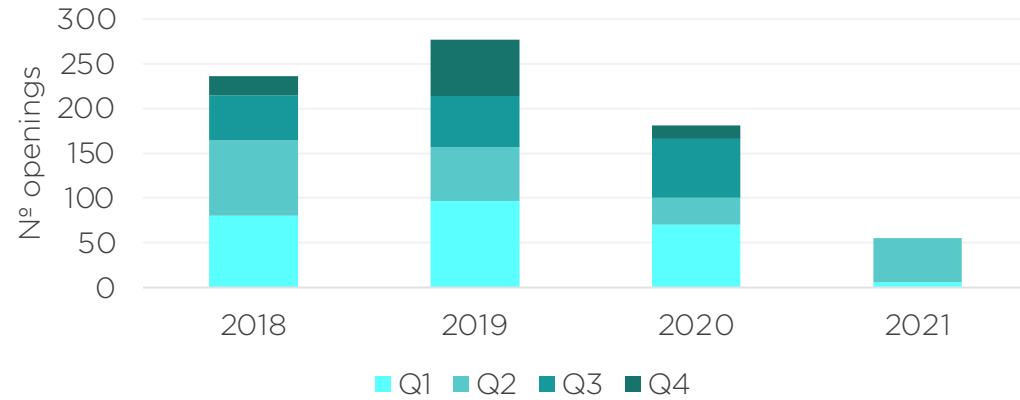
Logistics: where lockdown equals opportunity

- New patterns of consumer behavior boosting demand for DIY and food retail distribution
- Expected future supply still scarce to meet demand
- Domestic market still dominated by owner-occupier operations
- Rental levels on pressure to rise
- Growth in investment volume hampered by scarce quality supply

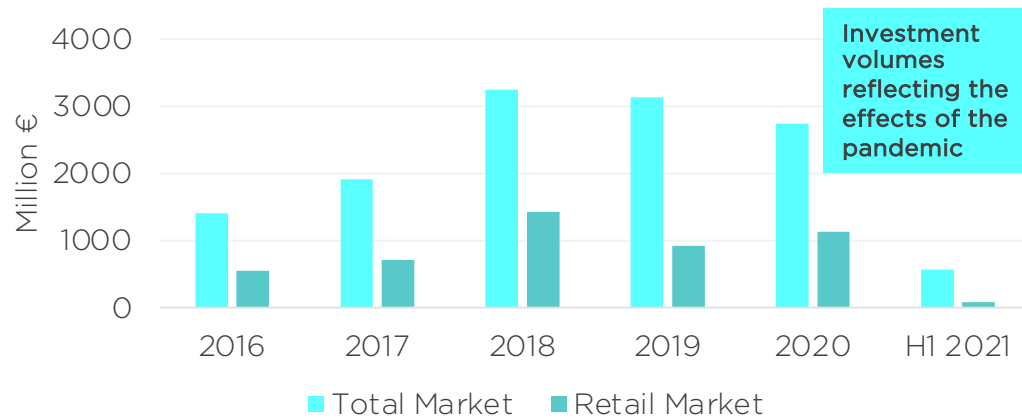
INDUSTRIAL & LOGISTICS INVESTMENT VOLUME



LISBON HIGH STREET RETAIL OPENINGS



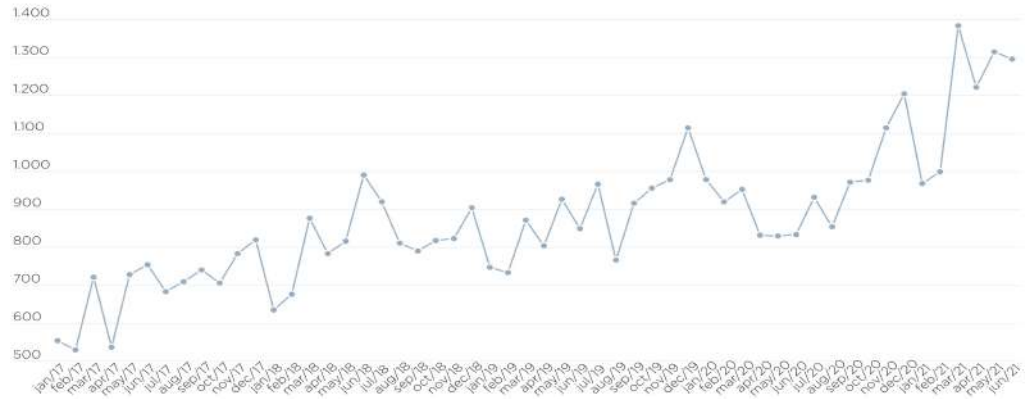
SHARE RETAIL - INVESTMENT MARKET



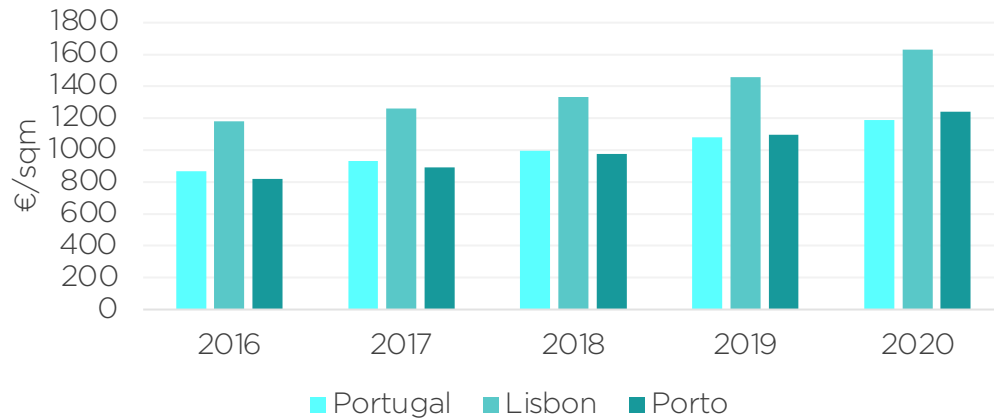
Food Retail... the next big thing

- High street retail and shopping centres: new sales strategies and sales channels
- Greater flexibility in terms of negotiation
- Food retail sector particularly attractive to investors

VOLUME OF CREDIT GRANTED TO HOUSING (€MILLION)



AVERAGE VALUE / SQM OF SOLD DWELLINGS



Residential the driven force

- Most resilient real estate sector
- Covid-19 had no negative effects on applications for housing loans in Portugal
- Portugal: 2nd lowest interest rates in Europe (European Central Bank – April 2021)
- 26% increase of houses sold in H1 2021 Vs H1 2020 – record-breaking value comparing to the first H1 of the last 5 years
- Side effects: greater demand for houses which offer flexibility and can be easily adapted to remote work; outdoor spaces and green areas
- Golden Visas increased by 2.9% in H1 2020 vs H1 2020
- High-end market sale with consistent resilience

02.

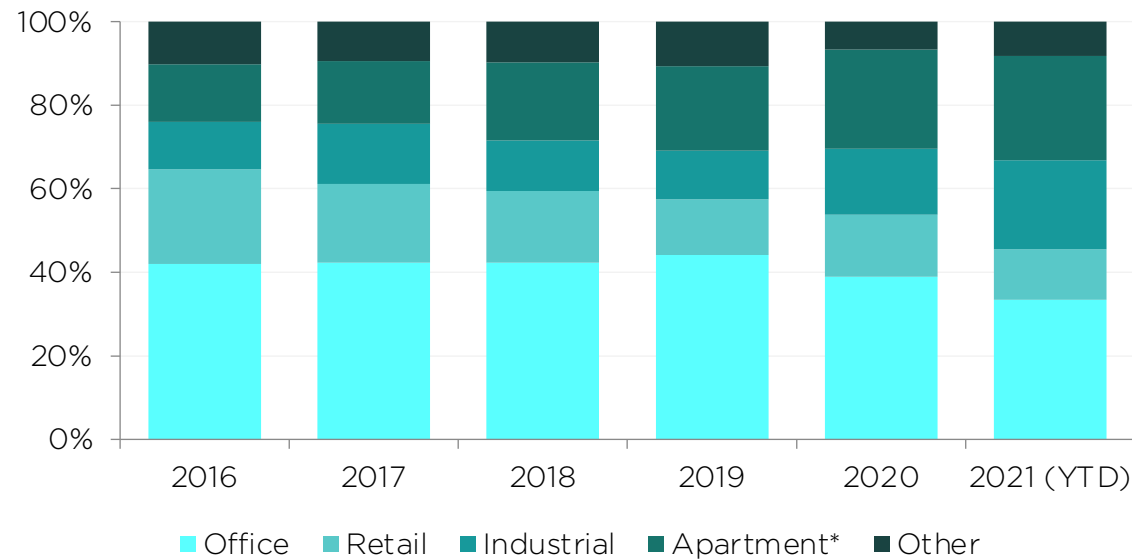
OPPORTUNITIES IN THE **ALTERNATIVE SECTORS**

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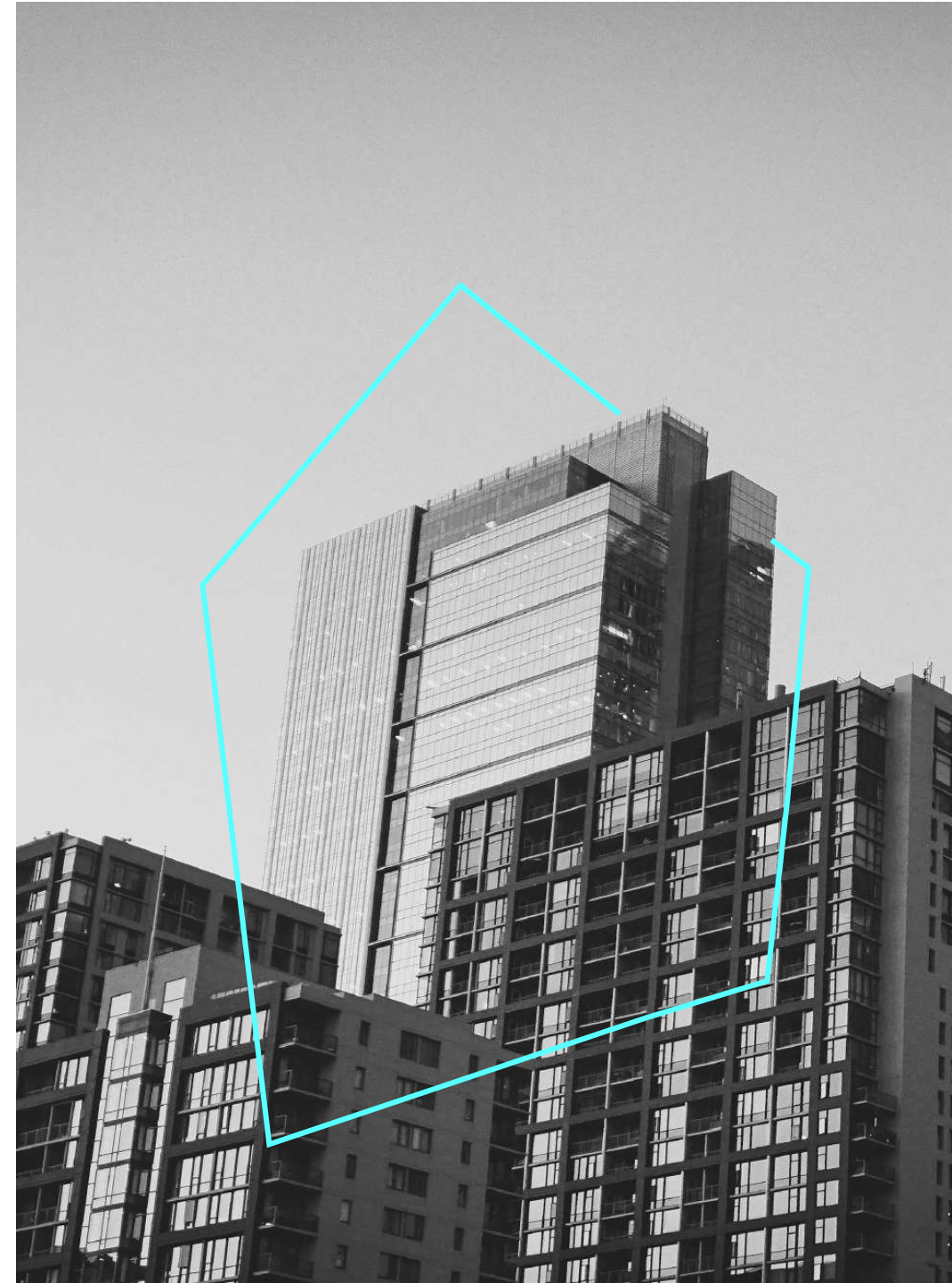


Changing investment paradigms

EUROPEAN INVESTMENT VOLUME BY SECTOR



**including multifamily and student housing*





MULTIFAMILY

MARKET CONTEXT

- Scarcity of housing supply in urban centres
- Some conversion of short-term rental accommodation
- Increasing demand: take-up +34% (Lisbon, +8% (Porto)
- Lack of BTR supply being addressed: 12,000 units (5 years)
- Weight of local council developments

INVESTMENT RATIONALE

- Long-term growth prospects
- Diversification of investment allocation
- Yields hardening

+29%
+47%

Lisbon / Porto
rental growth
(2016-20)

STUDENT HOUSING

MARKET CONTEXT

- Consistent increase in student numbers: now ca. 400,000
- 41% live away from home; 15% are foreign
- Lack of supply: 14% bed/student ratio
- Private PBSA supply expanding at a moderate pace:
 - Stock: 64 units / 5,900 beds
 - Pipeline: 23 units / 9,500 beds
- Stable headline rents (notwithstanding temporary discounts)

INVESTMENT RATIONALE

- Segment consolidating
- Demand continues to drive development of quality product



27%

Private PBSA
beds among
stock

SENIOR HOUSING

MARKET CONTEXT

- Aging population: 4th highest dependency ratio in Europe
- Equipment rate: 14%
- Recent entry of major, international players
- Main private operators slowly addressing shortage of quality supply:
 - Stock: 55 units / 4,300 beds
 - Pipeline: 9 units / 1,000 beds

INVESTMENT RATIONALE

- Growing sector, low supply
- Structured investment opportunities as operators will not hold



26%

Private senior housing beds among stock

03.

GETTING

OUT OF THE BOX

FRANCISCO HORTA E COSTA | CBRE





HEALTHCARE

MARKET CONTEXT

- Private sector: 53% of hospitals but only 34% of beds
- Predominance of owner-operated schemes
- Large US and European funds entering the market
- Investment volume expected to pick-up: from €135M in 2020 to €200M in 2021

INVESTMENT RATIONALE

- Critical asset for the operator: strong occupational stability and long-term contracts



DATA CENTRES

MARKET CONTEXT

- Data is the new oil and is rapidly increasing
- Few small infrastructures
- Managed by Portuguese telecom and infrastructure companies - few dedicated operators
- Market is preparing for growth | Sines 4.0 by Start Campus (5 x 90MW)

INVESTMENT RATIONALE

- Unique geographic location leveraged by the new submarine cables
- Limited number of operators
- Stable and high investment yields

85%

Take-up growth 2021F
yoy in the FLAP
markets: 370 MW

MW

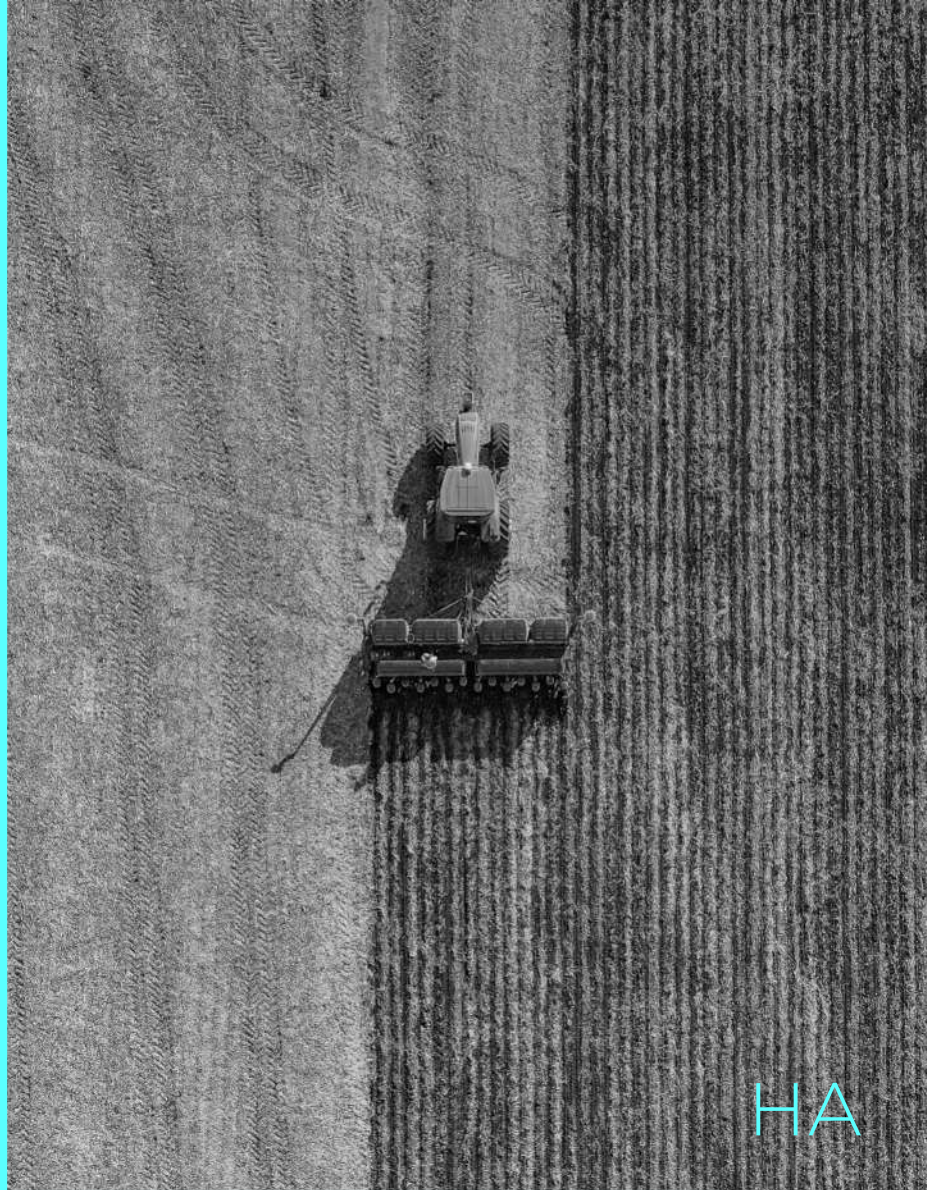
AGRIBUSINESS

MARKET CONTEXT

- Global food demand growth
- Portuguese market boosted by the construction of Alqueva dam offering new irrigated land
- Olive groves are the largest PT production
- But wine has the highest export value, despite almonds 170% increase from 2015
- Strong inflow of Spanish and North American investment
- Land transactions rather than corporate sales

INVESTMENT RATIONALE

- Product quality
- Calendar
- Availability of irrigated land
- Lower cost of land



X15

Growth in nb. funds investing in the agribusiness sector in 15 yrs

Investors are
getting
out of the box

SQM

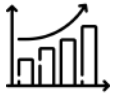
Beds

MW

HA



KEY-TAKE AWAYS



- Positive evolution of real estate investment volumes



- Office and Logistics with strong market fundamentals and on investors' radar



- Low yields are driving investors to alternative and operational assets



- Lack of product driving Forward-Funding, Forward-Purchase and Owner-Occupier transactions



- Demand for prime assets and development projects will remain fiercely competitive, resulting in yield compression



- Greater diversification of residential products and price segmentation – BTR Projects



- Leisure will recover faster than business; high interest in the leisure sector; distressed sales may not be representative



- More selective bank financing and new financing sources



- Only faster licensing will ease price increases

PORTUGAL REAL ESTATE SUMMIT

THANK

YOU

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