# Outlook

## Lisbon Office Market

## Q3 2022

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# KEY TAKEAWAYS

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**GDP GROWTH**
2022 (p)
+6.7%

**UNEMPLOYMENT RATE**
2022 (p)
5.8%

**OFFICE TAKE-UP**
Q1-Q3 2022
247,800
sq.m

**PRIME RENT**
Q3 2022
€26.0
sq.m/month

### GDP Growth

The Portuguese economy should still continue its recovery path in 2022, with a growth of 6.7% as foreseen by the Bank of Portugal (BdP). As of 2023, the economic activity is expected to substantially slow down.

### Unemployment Rate

The unemployment rate returned to pre-COVID levels, standing at 5.8% by the end of the year according to the BdP, and 6.5% for the next year according to the International Monetary Fund (IMF) forecasts.

### Office Take-up

In the third quarter of 2022, 79,600 sq.m of office space were occupied in Greater Lisbon. The overall take-up volume ascended to more than 247,800 sq.m (+209% YoY) across 162 deals until September, surpassing the historical high of 206,100 sq.m in 2018.

### Prime Rent

Prime rent in Prime CBD (Z1) increased to €26.0/sq.m/month, as a sign of the lack of new office space to meet the demand in prime locations.

Source: BdP | WORX | LPI


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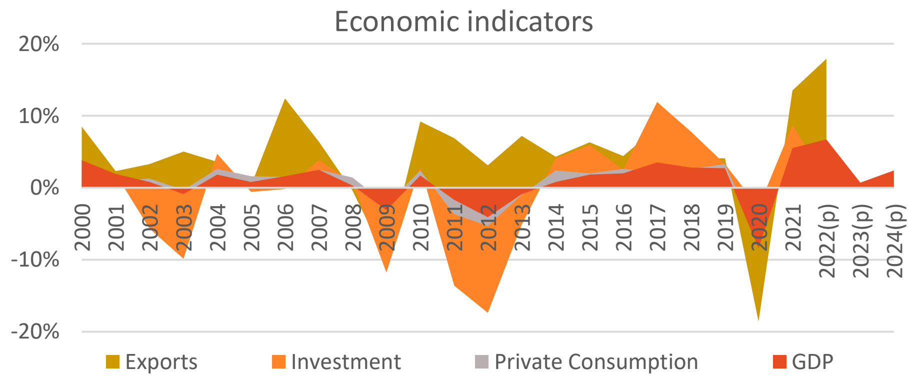
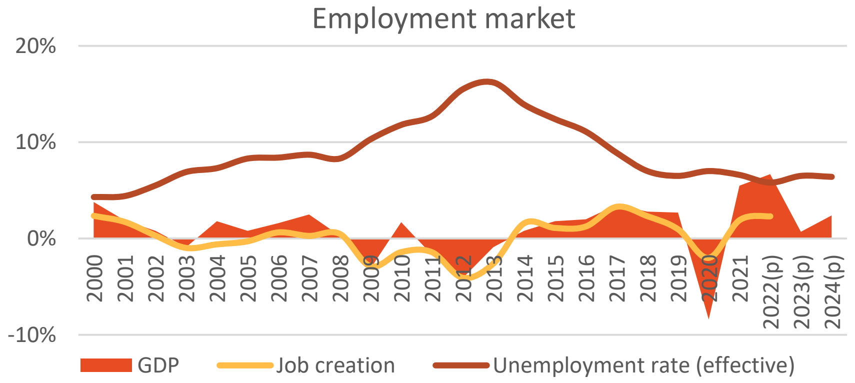
The Portuguese economy should still continue its recovery path in 2022, with a growth of 6.7% as foreseen by the Bank of Portugal (BdP). This economic growth is mainly boosted by private consumption and exports. Families have been spending the high level of saving accumulated during the pandemic, and also the Government supporting measures provided to face the upcoming hard times, will lead private consumption to grow 5.5%. And the outstanding tourism activity, alongside with the increase in foreign demand particularly for energy goods, will drive exports to grow an historical high of 17.9%.
As of 2023, the economic activity is expected to substantially slow down. Without any recent forecasts from the BdP, the International Monetary Fund (IMF) has recently pointed to 0.7% Portuguese GDP growth for 2023, followed by a (too soon to say) recovery in 2024 to a growth of 2.1%.




Source: BdP | IMF | ECB (last updated in October 2022)

In a broadly overview, the European Central Bank (ECB) points to 0.9% GDP growth in 2023 and to 1.9% in 2024 for the Euro Zone.
The inflation rate shows an upward trend, from 0.9% in 2021 to a forecast of 7.8% for Portugal in 2022. The recent global events, in particular the geopolitical tensions, together with the immediate impact of the shortage in some commodities like food and raw materials, should create a greater and more prolonged upward pressure on inflation. For 2023, the IMF forecasts an inflation rate at a national level of 4.7%.
The labour market has been backed up by the support lines provided for families and companies aiming to secure jobs. The unemployment rate returned to pre-COVID levels, standing at 5.8% by the end of the year according to the BdP, and 6.5% for the next year according to IMF forecasts.



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**247,800 sq.m**

Take-up volume

**28%**

Highest share of take-up – Parque das Nações (Z5)

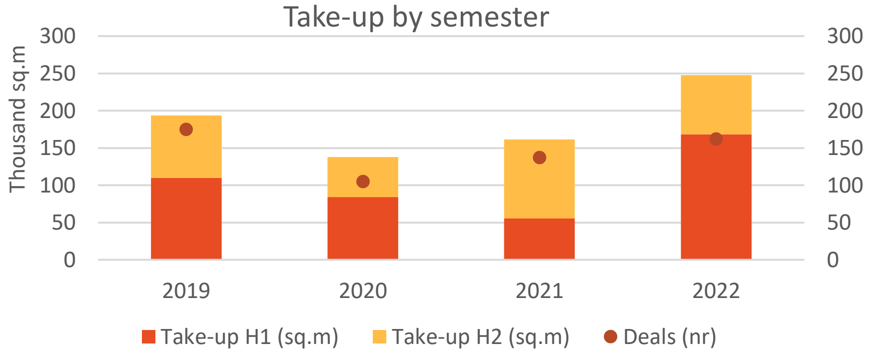
**36%**

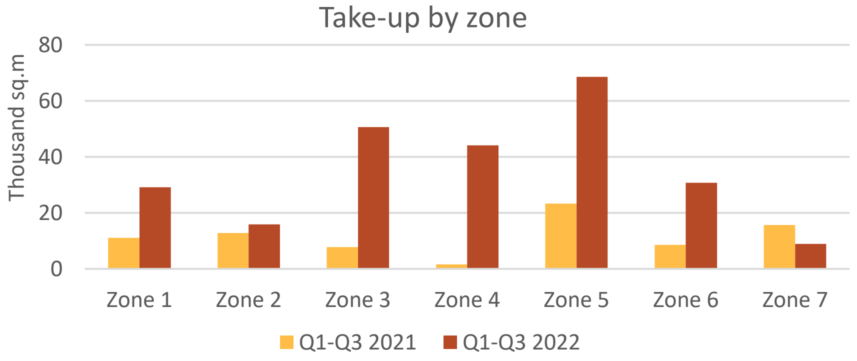
Highest share of take-up – Financial services

The dynamism anticipated for the office market has prevailed, even when facing some recent challenges. In the third quarter of 2022, 79,600 sq.m (+218% YoY; -24% QoQ) of office space were occupied in Greater Lisbon distributed by 57 deals. The overall take-up volume ascended to more than 247,800 sq.m (+209% YoY) across 162 deals until September, surpassing the historical high of 206,100 sq.m in 2018. This demand was mainly boosted by a high level of owner-occupier deals, specially for new headquarters, and pre-lets in new projects (after years of almost zero annual growth in new supply).

Parque das Nações (zone 5) and Emerging Zones (zone 3) were the most sought-after zones, representing 28% and 20% of the total take-up respectively, influenced by the biggest deals of the year - the occupation of almost 28,000 sq.m in the future Fidelidade new headquarters in Entrecampos and the purchase of two buildings still under construction with more than 38,000 sq.m in Parque das Nações by BNP Paribas.

Moreover, Financial Services have recorded most of the demand, followed by Other Services, representing 36% and 17% of transacted area, respectively. Highlight also for the TMT's & Utilities sector (16%), which normally takes the lead.




Source: WORX | LPI

# TOP 5 Occupancy deals

**28,000 sq.m**
Fidelidade at Álvaro Pais HQ (Z3)

**21,500 sq.m**
BNP Paribas at EXEO Office Campus – Echo (Z5)

**17,700 sq.m**
Confidential deal at Alcântara Lisbon Offices (Z4)

**16,800 sq.m**
BNP Paribas at EXEO Office Campus – Aura (Z5)

**11,400 sq.m**
EDP at HQ 2 (Z4)

Source: WORX | LPI

For more information on leasing comparables, please contact us.

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**8.6%**

Vacancy rate

In the third quarter of 2022, the vacancy rate registered an annual growth of almost 0.6 p.p., standing at 8.6% - ranging from 1.4% in the Historic Zone (zone 4) to 18.1% in the Western Corridor (zone 6). The major increases were in Parque das Nações (zone 5) and Western Corridor (zone 6), above 2 p.p. YoY, given the completion of a few projects without pre-lets and the increased availability of some used spaces.

**358,000 sq.m**

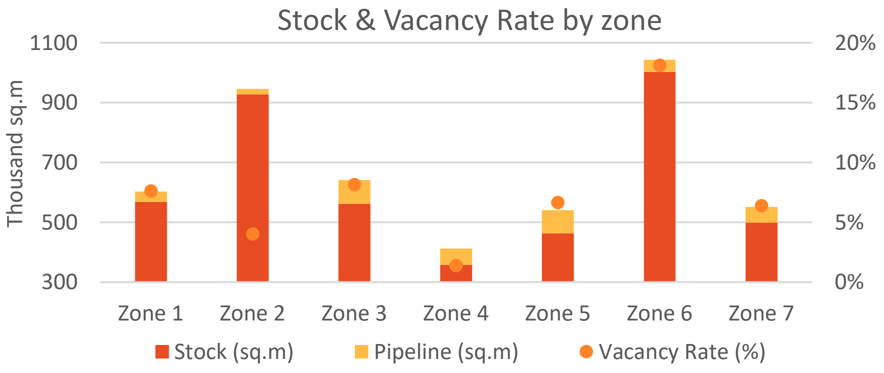
Pipeline for next 3 years

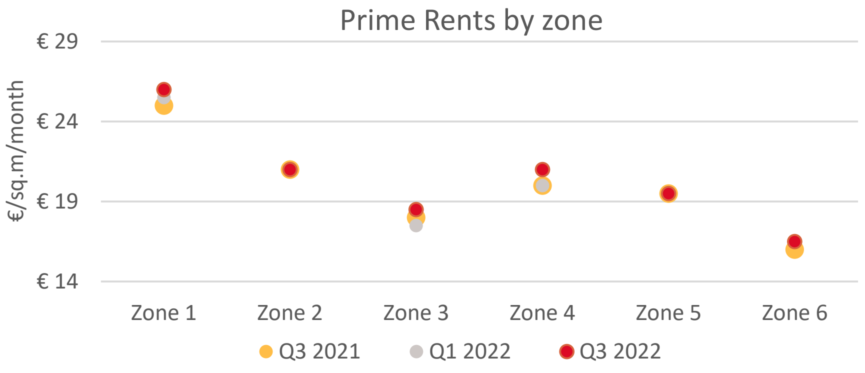
The future supply for the next 3 years accounts for 358,000 sq.m, of which 249,600 sq.m are currently under construction. Most of these projects have a high level of pre-lets given the strong demand during the expansionary cycle – 78% of the projects under construction are already let. In the remaining projects, those which haven't started construction, the level of pre-lets is still residual.

**€26.0 /sq.m**

Prime rent – Zone 1

The prime rent in Prime CBD (zone 1) increased to €26.0/sq.m/month (+4% YoY; +2% QoQ), as a sign of the lack of new office space to meet the demand in prime locations. Likewise, Historic Zone (zone 4) has also registered a positive annual variation (+5% YoY; 0% QoQ) in the prime rent, to €21.0/sq.m/month, following the deals closed in new buildings.




Source: WORX | LPI

# OFFICE MARKET | TOP 5 speculative pipeline projects

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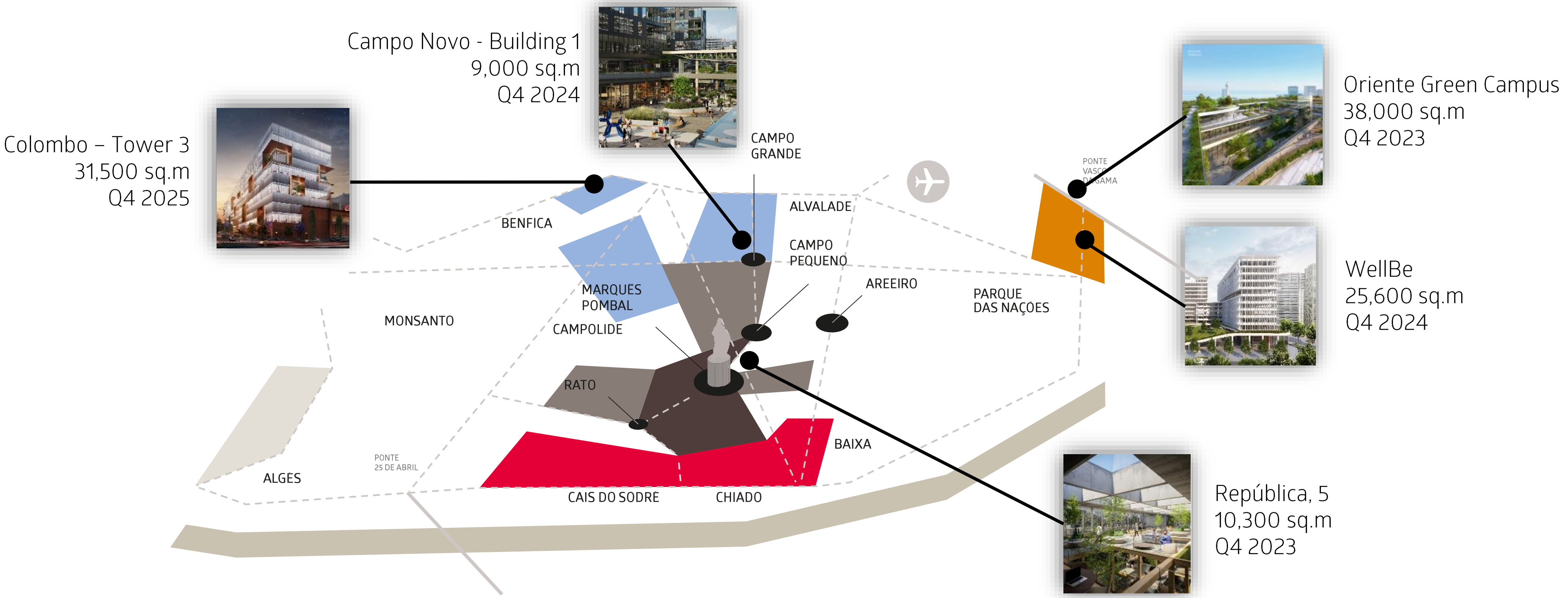


| Prime CBD | CBD | Emerging Zones | Historic Zone | Parque das Nações | Western Corridor | Others |
|---|---|---|---|---|---|---|
| Z1 | Z2 | Z3 | Z4 | Z5 | Z6 | Z7 |

For more information on pipeline projects and available spaces, please contact us.

GLA | Source: WORX



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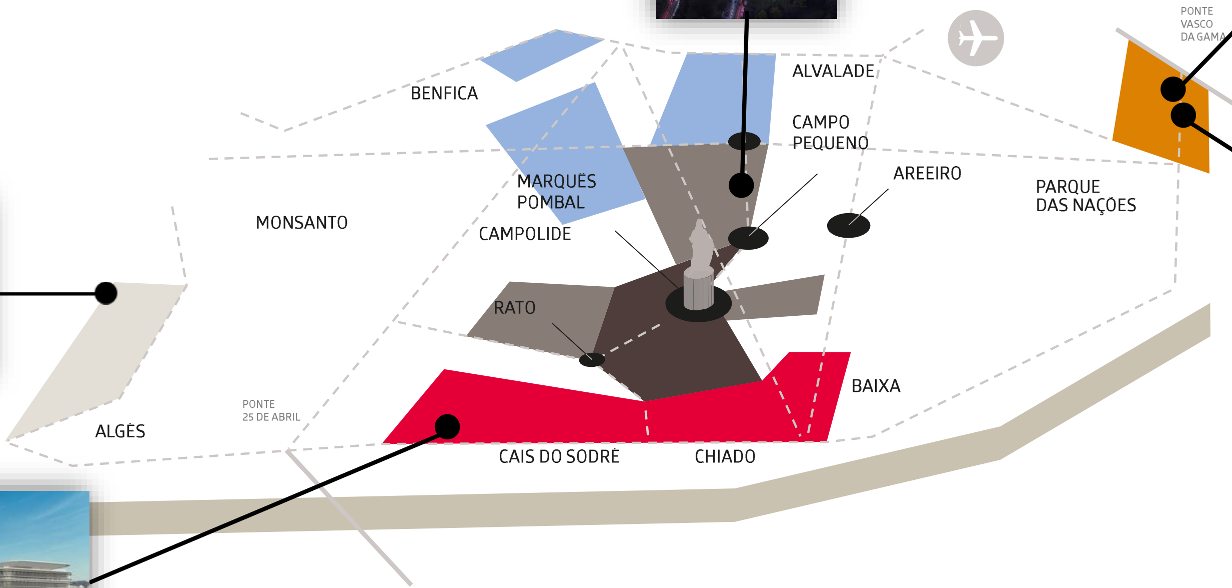
Fidelidade HQ
38,400 sq.m
Q2 2024

K-Tower
14,100 sq.m
Q2 2023

EXEO Office Campus – Echo & Aura
38,300 sq.m
Q2 2023-Q1 2024




CMOeiras HQ
30,500 sq.m
Q4 2023

ALLO – Alcântara Lisbon Offices
34,400 sq.m
Q2 2023

| Prime CBD | CBD | Emerging Zones | Historic Zone | Parque das Nações | Western Corridor | Others |
|---|---|---|---|---|---|---|
| Z1 | Z2 | Z3 | Z4 | Z5 | Z6 | Z7 |

For more information on pipeline projects, please contact us.

GLA | Source: WORX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# OFFICE MARKET FORECASTS



EXPECTED EVOLUTION

**TAKE-UP**

Take-up is expected to slowdown in 2023 after reaching an historical high in 2022, keeping, even though, a good level of demand based on the deals currently in place to be closed next year.

**RENTS**

Prime rents will still grow in the most central and riverside zones, which are experiencing a high demand and have new projects with high quality standards. While, in the overall, prime rents should stabilize over 2023.

**VACANCY**

Even considering that most of the projects to be delivered in 2023 already have pre-let deals signed, the vacancy rate should still register a slight increase as the take-up will be lower. The spread in vacancy rates between new and used buildings should increase following the growing high standards in companies selection criteria.

**YIELDS**

Prime yields for core office assets should increase in the macroeconomic context of increasing interest rates, difficulty in accessing financing and uncertainty. Even though, this asset class is seen as resilient given the robust occupier activity, able to provide secure contracts, good quality tenants and stable income.

Strong increase | Moderate increase | Stable | Moderate decrease | Strong decrease

Source: WORX | BNPPRE

For more information on forecasts, please contact us.

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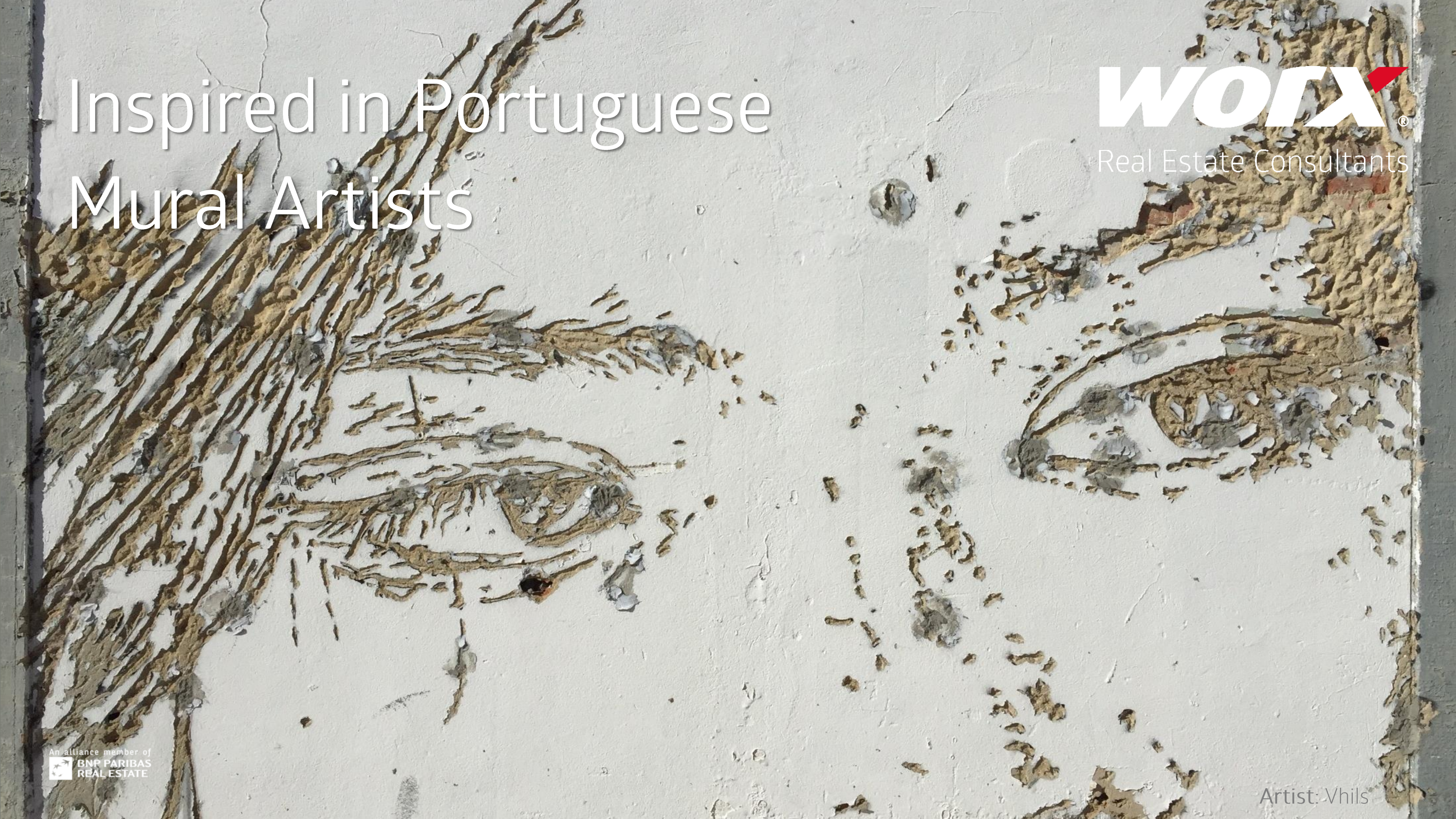
# Inspired in Portuguese Mural Artists



Artist: Vhils