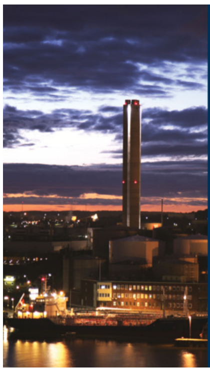


MARKETBEAT

PORTUGAL INDUSTRIAL SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CUSHMAN & WAKEFIELD®
Global Real Estate Solutions

Q3 2011

OVERVIEW

In Portugal, the contracting economy continued to impact on the performance of real estate from both an occupier and investor perspective for industrial space, both of which slowed in the third quarter despite a moderate growth in exports recorded during the past months - a positive sign amid the current economic uncertainty. In addition, domestic demand appears to have taken a hit with the introduction of austerity measures after the IMF/EU bailout in May 2011. This has resulted in a subdued quarter in terms of activity and rising vacancy rates. Prime rents however remained at their Q2 levels, with incentives continuing to play the main role in lowering the overall occupancy costs.

OCCUPIER FOCUS

Some notable deals concluded in Q3, namely an owner occupier taking 18,250 sq.m of production space in Mem-Martins, Lisbon and Total Media leasing 10,000 sq.m of second hand logistics space in Alverca. However, overall activity in Q3 remained subdued as occupiers continued to postpone their expansion plans on the side of caution. A 'wait and see' attitude has been adopted in general, as a reaction to the gloomy outlook for the industrial market. Rationalising cost and space continues to be the main driver of any leasing deals that are closing with landlords offering more attractive incentive packages to tenants in order to keep their premises let.

The speculative pipeline has completely dried up as developers struggle to secure financing, and even some scheduled projects that are part of the national plan of Portugal Logístico have been put on hold and await built-to-suit/pre-let agreements before proceeding.

INVESTMENT FOCUS

The investment sector continues to be held back by the adverse economic environment and the unfavourable growth outlook. This has urged many international funds and foreign investors to focus more on their home ground and away from Portugal. Indeed, any activity that is seen in the country at the moment is exclusively by Portuguese funds. The falling levels of demand impacted on yields which softened across the country in Q3, and are now 25 basis points high than they have been over the past 10 years.

OUTLOOK

The industrial market is likely to remain subdued over the remainder of 2011 and 2012 with the negative economic growth prospects expected. On the back of high incentives, prime rents should remain steady in Q4, although effective rents will fall further. The investment will remain quiet too, and as demand moderates a further softening of yields is expected.

MARKET OUTLOOK

PRIME RENTS:	Rents will remain stable as landlords offer incentives rather than lower rents.	→
PRIME YIELDS:	Falling demand will see further softening before the end of the year and into 2012.	↗
SUPPLY:	No speculative construction is ongoing.	↘
DEMAND:	The 'wait and see' attitude should prevail in 2011.	↘

PRIME INDUSTRIAL RENTS – Sep 2011

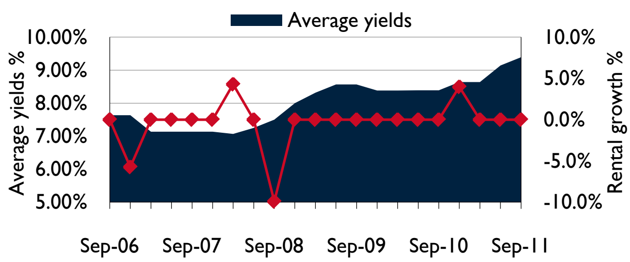
	Prime Rent			Compound(p.a) % Growth	
	€ sq.m/mth	*€ sq.m/yr*	*US$ sq.ft/yr*	*5yr*	*1yr*
Lisbon	4.00	48.0	5.98	-2.3	0.0
Porto	4.00	48.0	5.98	0.0	14.3

PRIME INDUSTRIAL YIELDS (Gross) – Sep 2011

	Prime Yield (%)				
	Current Quarter	*Last Quarter*	*Last Year*	*10 year High*	*10 year Low*
Lisbon	9.25	9.00	8.25	9.25	7.00
Porto	9.75	9.50	8.75	10.00	7.25

With respect to the yield data provided, in light of the lack of recent comparable market evidence in many area of Europe and the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

RECENT PERFORMANCE



Source: Cushman &Wakefield LLP. 2011

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