

Trends

Q2 2011

Prime Rents	↔
Prime Yields	↑

- With the worsening of the Portuguese macroeconomic situation, the Bank of Portugal has recently lowered its expectations for economic growth. For 2011 it is expected a 1.3% GDP contraction driven particularly by the fall in internal demand.
- The premium shopping centres and high streets in Lisbon and Porto continue to show a good demand and therefore prime rents and yields remained stable in Q1.
- Prime rents should remain stable in Q2 2011 in all sectors despite a forecast increase in the gap between prime rental values and average rental values, mainly in the retail sector.
- The critic economic situation of the country has been driving to significant increases on the public debt interest rate, which is currently around 9%. This is expected to place an upward pressure on prime yields.

SUMMARY

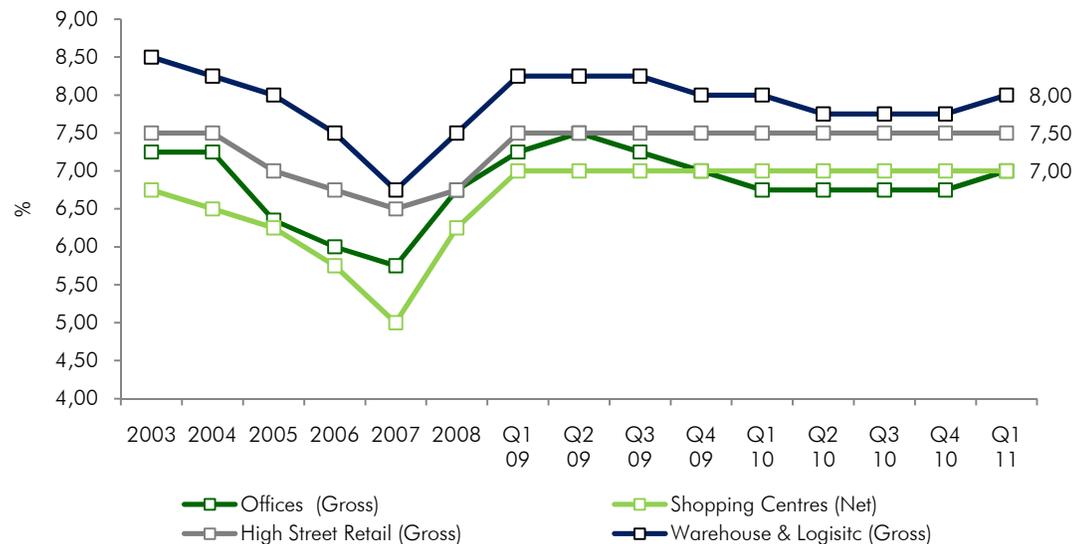
- The public debt crisis, has worsened with the political instability caused by the resignation of the Prime Minister José Sócrates. This is having a huge impact on the Portuguese economy and also on the real estate market. Therefore, a fall in rent values as well as the increase of yields is inevitable.
- During the first quarter of the year, the prime rent decreased 2.6% in the Lisbon offices to 18.5 €/m²/month, resulting on a 5.1% y-o-y negative change. In the other real estate sectors, prime rents were stable, although there is a downward pressure on average rents.
- In the first quarter of 2011 the prime yield increased by 25 b.p. in the office and warehouses markets of Lisbon and Porto, as well as in the Retail Park format.

Market Indicators

Sector	Prime Rent			Prime Yield		
	Rent (€/sq m/month)	Quarterly Change (%)	Annual Change (%)	Yield (%)	Quarterly Change (b.p.)	Annual Change (b.p.)
Offices Lisbon	18,50	-2,6%	-5,1%	7,00	25	25
Offices Porto	13,50	0,0%	-6,9%	8,75	25	25
Shopping Centres	85,00	0,0%	0,0%	7,00	0	0
Retail Parks	10,50	0,0%	0,0%	7,75	25	25
High Street Retail Lisbon	80,00	0,0%	0,0%	7,50	0	0
High Street Retail Porto	35,00	0,0%	0,0%	8,50	0	0
Warehouse & Logistics Lisbon	3,50	0,0%	-7,9%	8,00	25	0
Warehouse & Logistics Porto	3,75	0,0%	0,0%	8,25	25	25

Source: CB Richard Ellis

Prime Yields Evolution



Source: CB Richard Ellis

DEFINITIONS

Prime Rent

Represents the top open-market tier of rent that could be expected for a unit of standard size commensurate with demand in each location. The unit is of the highest quality and specification and in the best location in a market at the survey date. It is assumed that the occupier will also be agreeing to a package of incentives that is typical of the market at the time.

- For the Lisbon offices the standard size considered is 200 sq m and location is the Liberdade-Saldanha zone;
- For the Porto offices the standard size considered is 100 sq m and location is the Boavista zone;
- For shopping centers the standard size considered is 100 sq m and locations are Lisbon and Porto;
- For retail parks the standard size considered is 1,000 sq m and location is Greater Lisbon;
- For the Lisbon high street retail the standard size considered is 100 sq m and locations are Av. da Liberdade and Chiado;
- For the Porto high street retail the standard size considered is 100 sq m and locations are Rua de Santa Catarina and Boavista zone;
- For the Lisbon industrial & logistics assets the standard size considered is 10,000 sq m and location is the Azambuja-Carregado submarket;
- For the Porto's industrial & logistics assets the standard size considered is 2,000 sq m and location is the Maia Industrial zone.

Prime Yield

Represents the Yield which an investor would receive when acquiring a Class A building in a prime location, which is fully let at current market value rents. A Class A building is one that has recently been built, has modern equipment and an efficient layout. The locations are the same appointed in the prime rent definition.

In office, high street retail and industrial & logistics assets, prime yield is estimated based on the gross revenue; while in the shopping centres and retail parks it is based on the net revenue, this is gross revenue less non recoverable costs.

Prime Rent and Prime Yield should reflect the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. If there are no relevant transactions during the survey period, the quoted figure will be more hypothetical, based on CB Richard Ellis' experts' opinion of market conditions.

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