CB RICHARD ELLIS

MarketView

Offices – Lisbon and Porto

October 2010

Lisbon Market Indicators

	H1 10 vs. H2 09	H1 10 vs. H1 09	10 (f) vs. 09
Stock	↑	↑	↑
Availability	↑	↑	↑
Gross Take-up	↓	↑	↔
Prime Rents	↔	↓	↓
Prime Yields	↓	↓	↓

Porto Market Indicators

	H1 10 vs. H2 09	H1 10 vs. H1 09	10 (f) vs. 09
Stock	↓	↑	↑
Availability	↔	↑	↑
Gross Take-up	↓	↓	↔
Prime Rents	↓	↓	↓
Prime Yields	↓	↑	↑

Market Trends

- With an increase in stock over 25,000 sq m in Parque das Nações, an increase in vacancy rate in the coming quarters is expected.
- The demand for 2010 it's expected to be similar to that registered in 2009.
- The interest rates demanded by investors to invest in Portuguese public debt increased from 4.08% in January to 5.80% in June. The worsening of this situation could lead to increased yields by the end of the year.
- Prime rents should remain stable until the end of the year.

SUMMARY 1ST HALF 2010

In all the economic indicators, except for Gross Domestic Product (GDP) and exports, the 1st half of 2010 showed a decrease when compared with 2009. However, some measures are being taken so that Portugal can reduce the budget deficit and reach the economic and financial stability.

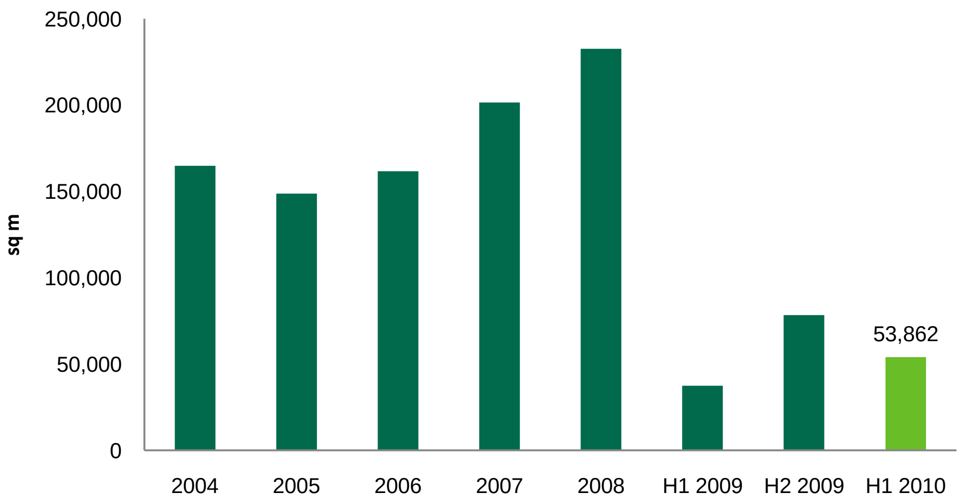
In 2010, 14 new projects are expected to be completed, totalling 100,000 square meters of office space. In the 1st half of 2010, over 67,000 sq m of office space was completed. Note that the average **supply** of new business space in Lisbon, over the past six years, was around 74,000 m².

The **demand** for office space in Lisbon increased significantly by 44% in comparison to the same period of 2009. The office market in Porto, registered a drop in demand in the 1st half of the same year and a drop in take-up levels when compared with the same period in 2009.

Regarding **prime rental** values in the office market, the 1st half of 2010 maintained the trend of stability that has been observed since the fourth quarter of 2009 and only Parque das Nações in Lisbon registered a downward correction in the value of prime rent.

The real estate **investment** market in general was relatively subdued in the 1st half of 2010; however the office sector had some activity including the sale of the Portugal Post (CTT) building in D. Luis I Square in Lisbon. According to the Committee of Real Estate Value Market (CMVM), the value managed by real estate funds in June 2010 increased 4.4% when compared to December 2009. However, in comparison to the same period this value increased by 12.4%.

Office Gross Take-Up Evolution in Lisbon



Source: CB Richard Ellis / LPI

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ECONOMIC & POLITIC CONTEXT

The year 2010 is proving to be difficult for the Portuguese economy. In 2009, Portugal has reached the peak of economic recession. The Gross Domestic Product (GDP) contracted by 2.7% and registered the worst year of the century. In the latest Economic Bulletin of the Bank of Portugal the national economic projections for 2010 indicate a slight growth of 0.9% and an even smaller increase of 0.2% in 2011.

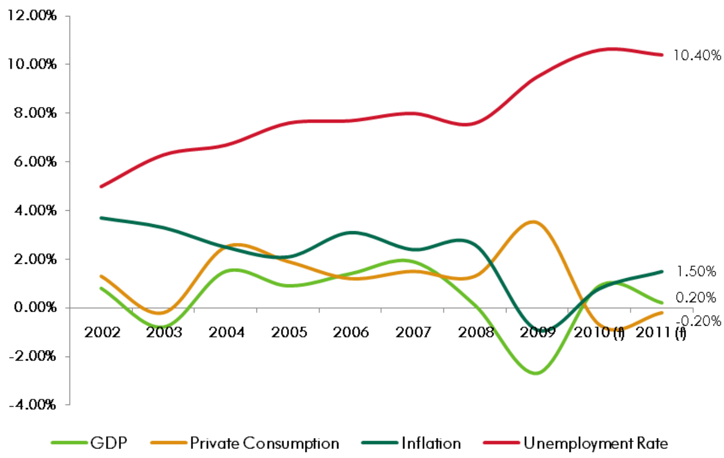
The unemployment rate increased in 2010. Over the past 8 years this rate has never reached values higher than 10%, however it has reached 10.60% in 2010. According with the Bank of Portugal, private consumption picked up slightly at the end of the 1st half of 2010, revealing a reversal of the trend that had been felt since late 2009.

The Portuguese government pledged to reduce the deficit that has worried both the EU and economic analysts, namely the rating companies. The government and opposition agreed on a Stability and Growth Plan that contains measures to tackle the deficit. One step was raising taxes, particularly income tax and VAT; further measures are expected by the end of the year.

Portugal has been constantly observed by credit rating companies that have been reducing the Portuguese sovereign debt rating. This situation led to an increase in the interest rate required by investors to invest in Portuguese public debt that has been growing exponentially in the last 6 months. This situation is aggravating the country's economic situation leading to difficulties of domestic financial institutions in accessing external funding, in turn harming the final consumer with restrictions on bank financing as well as increases in spreads in the domestic market.

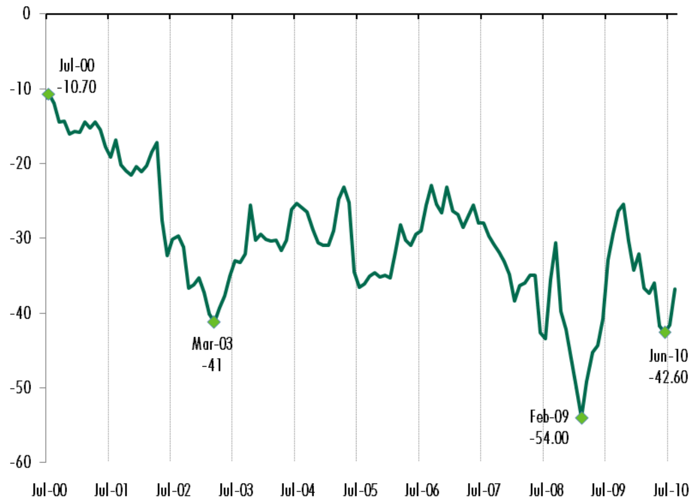
The next few months are extremely important for the country's credibility among economic analysts.

Economic Key Market Indicators



Source: Bank of Portugal

Consumer Confidence Index



Source: INE

Tax Rates for Companies

Tax	Rate
IRC (Corporate Tax)	25%
Derrama	0% - 10% of collected IRC
VAT*	21% (since July 2010)
IMT (Property Transfer Tax)	6.5% of sales price (paid by purchaser)
IMI (Annual Municipal tax)	0.2% - 0.4% of revalued fiscal value of real estate
Stamp Duty (in Sales Transactions)	0.8% of sales price (paid by purchaser)
Stamp Duty (in Lease Transactions)	10% of first rental value (paid by landlord)

Source: CB Richard Ellis

*The sale or letting of immovable property is exempt, although this exemption can be waived.

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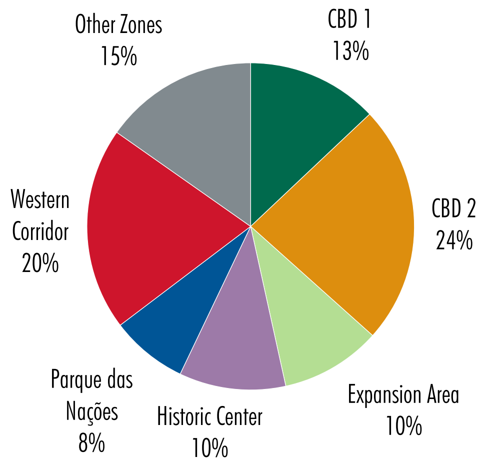
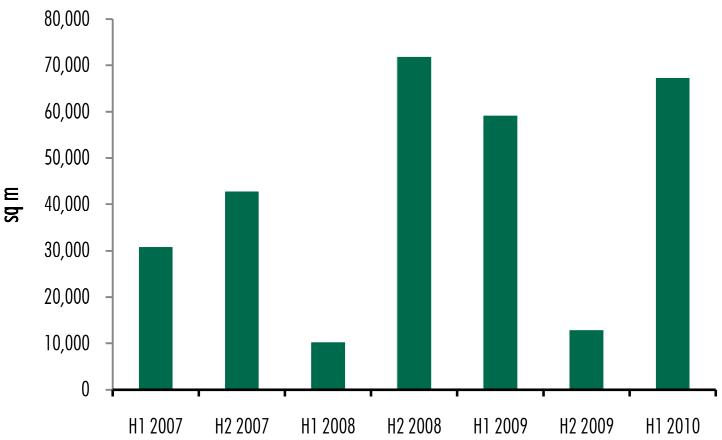
Office Stock Distribution per Zones H1 2010 - Lisbon



Source: CB Richard Ellis / LPI

Office Additional Stock half-Yearly Evolution - Lisbon



Source: CB Richard Ellis / LPI

Main Office Stock Completed H1 2010 - Lisbon

Zone	Building	Type*	Area (sq m)
Expansion Area	Bloom	N	4,600
Parque das Nações	Pavilhão Virtual	N	6,220
Parque das Nações	Espace	N	10,010
Parque das Nações	Explorer	N	4,220
Parque das Nações	Atlantis	N	8,110
Western Corridor	Lagoas Park 14	N	12,000
Western Corridor	Lagoas Park 15	N	6,500
Western Corridor	Duo Miraflores Premium	N	8,060
Other Zones	Natura Towers (T.Sul)	N	4,420
Other Zones	Alto dos Moinhos	N	3,280
TOTAL			67,420

*R – Refurbishment; N - New
Source: CB Richard Ellis/ LPI

LISBON

SUPPLY / STOCK

The Lisbon office market supply at the end of the 1st half of 2010 reached approximately 4,379,577 sq m. This stock is concentrated in six well defined zones, whose location is illustrated in the map on the last page of this report. All properties not located within the areas stipulated integrate a generic zone called Zone 7 (Other Areas).

CBD 1 and CBD 2 Zones have the biggest share of stock, amounting to 1,615,000 sq m. However, in the last five years there has been a major growth stock in the Parque das Nações and in the Western Corridor, while in CBD 1 and CBD 2 the increase was almost nonexistent.

Throughout the 1st half of 2010 there was approximately 67,420 sq m of new office space completed, an increase of 13.8% when compared with the same period in 2009. The Parque das Nações and the Western Corridor registered increases of 28,560 sq m and 26,560 sq m respectively.

Of the total projects concluded in the 1st half of 2010, about 96% of the office area was speculative construction, which means that had no pre-defined tenant.

AVAILABILITY

At the end of the first six months, the office space available on the market in Lisbon amounted to 487,880 sq m and represented an increase of over 15% of the total recorded in late 2009. This increase results substantially from the promotion of new speculative office buildings registered in the 1st half of 2010.

Upon further analysis of the market areas of offices, we found that the Western Corridor remains the area with the greatest volume of offers, with a total value to offer over 190,000 sq m, representing an increase of almost 20% over the total in late 2009.

The Parque das Nações area also showed the same trend of increasing availability, offering more than 90,000 sq m. That represents an increase of over 36% by the end of 2009.

According to the Lisbon Prime Index (LPI) at the end of the 1st half of 2010 the availability rate of the Lisbon office market stood at 11.03%, representing a significant increase compared to 9.71% registered in late 2009. The market areas that contributed most for the increase in the vacancy rate was the Parque das Nações and the Expansion Area, which recorded growth rates of respectively 14% and 11% over the 1st half of 2010.

On the other hand, the CBD 1 and the CBD 2 showed very little significant increases in vacancy rates of 3% and 0.7% respectively, when compared with 2009, indicating the end of the 1st half of 2010 lower rates of 8.72% and 6.60% one contributing factor was the fact of any new development at this time.

DEVELOPMENT

By the end of 2010 4 new developments of offices are expected and the conclusion of the renovation of another building, which will total around 33,200 sq meters. In total it's estimated the conclusion of 100,000 sq m of business space, representing an increase of almost 30% of the total registered in 2009.

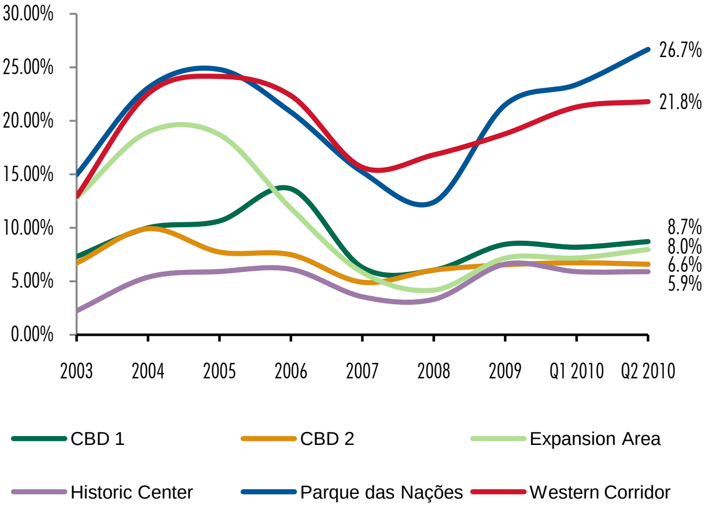
In the 2nd half of 2010 forecasts suggest to a gradual decrease in property development, a direct consequence of economic and financial crisis.

Of the total estimated offer for the second semester of 2010, we highlight the building Báltico in Parque das Nações which is already pre-rented by CTT to occupy the entire building.

Other significant activity includes the refurbishment of the building at Rodrigues Sampaio in the CBD 1 and the conclusion of the Republic Center in the CBD 2, which will enhance the supply in these two areas, which has been lacking in recent years.

Restrictions on access to bank credit is holding back the approval of new office projects, this will lead to a gradual decrease in property development in 2011 and 2012. In pipeline there are projected around 70,000 sq m of new office buildings for the next two years. Projects like Alfrapark (Building A and B) in the Western Corridor, Campolide Park in the CBD 2 and the Metropolis in the Expansion Area, do not yet have a definitive date for the beginning of construction.

Vacancy Rate per Zones



Source: CB Richard Ellis / LPI

Metropolis – Expansion Area

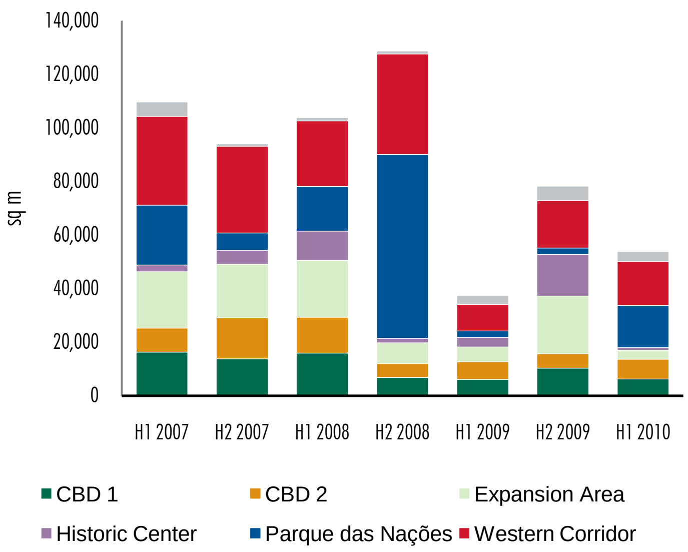
Source: CB Richard Ellis

Forecast of Office Completions – H1 2010

Zone	Building	Type*	Area (sq m)
CBD 1	Rodrigues Sampaio 103	R	1,200
CBD 2	República Center	N	6,100
Expansion Area	Sede Cofina	N	6,000
Parque das Nações	Báltico	N	14,000
Parque das Nações	Mythos	N	5,900
	TOTAL		33,200

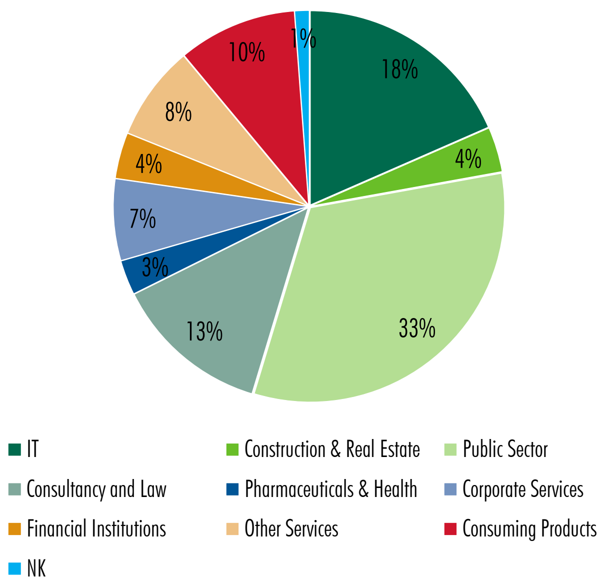
*R – Refurbishment; N - New
Source: CB Richard Ellis/ LPI

Gross Take-Up per Zones - Lisbon



Source: CB Richard Ellis / LPI

Gross Take-Up Distribuition por Activity Sectors – H1 2010



Source: CB Richard Ellis / LPI

Major Lease Evidences – H1 2010

Building	Zone	Occupier	Type*	Area (sq m)
Báltico	Parque das Nações	CTT	L	14,700
Amoreiras Square	CBD 2	Accenture	L	1,850
Lagoas Park	Western Corridor	Philips	L	1,790
Ramazzotti	Western Corridor	Nextiraone	L	1,500
Torre de Monsanto	Western Corridor	ROFF	L	1,240

Source: CB Richard Ellis/ LPI
* Type: Lease (L), Sale (S), Owner-Occupied (O)

DEMAND

In the 1st half of 2010, gross take-up in the office market was around 54,000 sq m, representing an increase of 44% over the same period of 2009. However, over the previous six months, this figure showed a decrease in volume of around 31%.

A quarterly analysis shows that the 1st quarter of 2010 had better take-up levels when compared to the 2nd quarter, totalling 33,445 sq m. However it is important to mention that the take-up registered in the 1st quarter was boosted by the pre-letting of the entire Báltico building by CTT on Parque das Nações (14,704 sq m).

An analysis by area show that Parque das Nações and the Western Corridor registered higher take up in the 1st half of 2010. The take-up recorded in Parque das Nações was stimulated by the CTT rental, and the Western Corridor was the area where there was a higher volume of gross take-up, with more than 16,000 sq m on the market, representing around 30 leasing transactions.

An unusual situation was the fact that this 1st half of 2010, LPI only recorded 4 transactions in new buildings in the city of Lisbon, while the buildings used recorded more than 60 transactions.

Regarding the take-up by activity sectors, the government accounted for 33% of the occupied area, largely due to the placement of CTT. New technology sector recorded 18% of the total area occupied, and more than 50% of this area was placed in the Western Corridor. The industry consultants and lawyers were also active in the 1st half of 2010 registering 13% of the total take-up area, with the CBD 1 and CBD 2 as a preferred location.

Indications for the 2nd half of 2010 suggest that market activity is likely to have similar take-up levels to those registered in the 1st half of 2010 (115,000 sq m). The economic and financial situation has led companies to adopt a program of rationalization putting on hold any expansion plans and adopting cost reduction measures.

PRIME RENTS

The office market in Lisbon was stable in all areas over the 1st half of 2010 in prime rental values. Despite the demand for offices being subdued, which implies a downward pressure on rents, there is greater flexibility in granting ownership entities other incentives in negotiations: free rent periods or broader towards the cost of installation of tenants, achieving in this way to maintain real estate prime values.

Since late 2009, Parque das Nações was the only area that had a correction in the value of prime rent, registering at the end of the 1st half of 2010 the nominal value of 15,50 € / sq m / month, which represents a break of around 3% over the fourth quarter of 2009.

Despite the drop in the volume of transactions recorded in the second quarter, according to the LPI, the level of average rents increased in all areas except the CBD 2 and the Expansion Area which showed a slight drop.

By the end of 2010, stability in prime rents is expected. However, with an increase of the offer at Parque das Nações, the area could suffer a decrease in rental values.

INVESTMENT

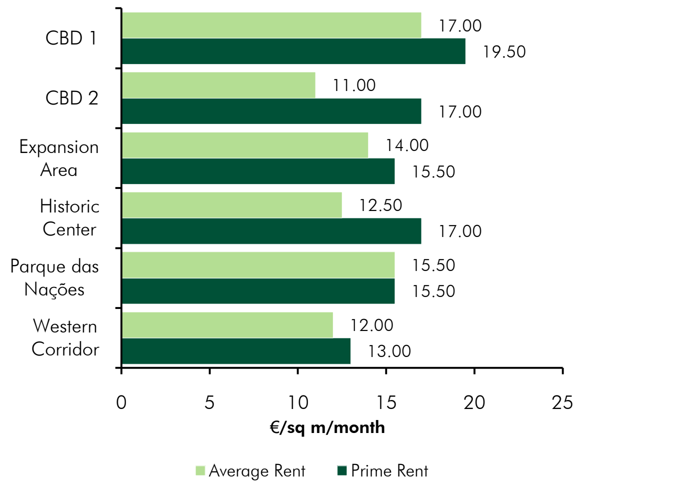
The investment market in the office sector continues to suffer due to the financial and economic crisis thus assisting to a drop in demand in the 1st half of 2010.

In the first six months of the year, the sector recorded a volume of investment of 24 million euros, a figure boosted by the sale of the CTT building in D. Luís I Square in Lisbon. Most of the investment deals concluded in the 1st half of 2010 were made by domestic investors.

Since late 2009 the prime yields recorded a 25 basis points decline in all areas against an expectation of some activity in the sector. With the exception of Parque das Nações which had by the end of the 1st half of 2010 a more significant yield compression of 50 basis points.

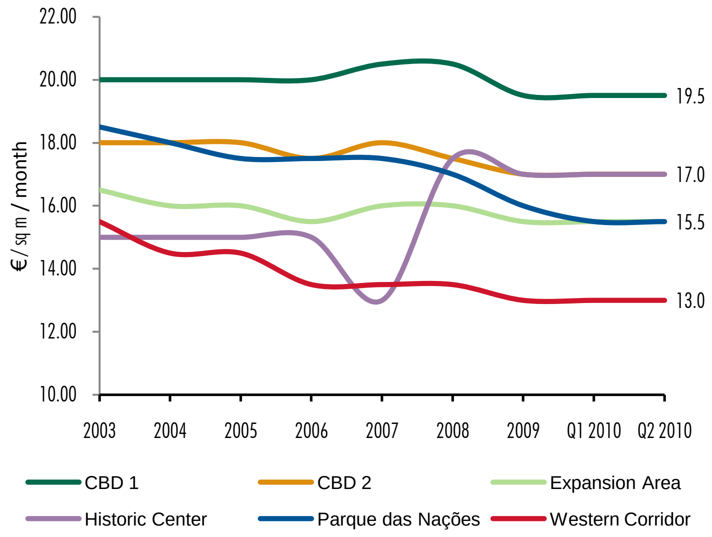
However, due to the financial and economic situation of the country and future austerity measures announced by the government, the prime office market yield in Lisbon may suffer fluctuations in their values by the end of the year.

Prime Rents and Average rents in Lisbon – H1 2010



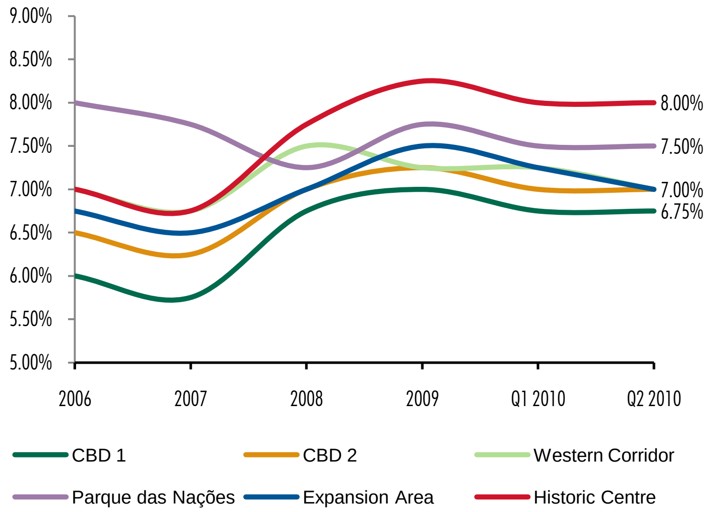
Source: CB Richard Ellis

Prime Rents Evolution



Source: CB Richard Ellis

Prime Yields Evolution



Source: CB Richard Ellis

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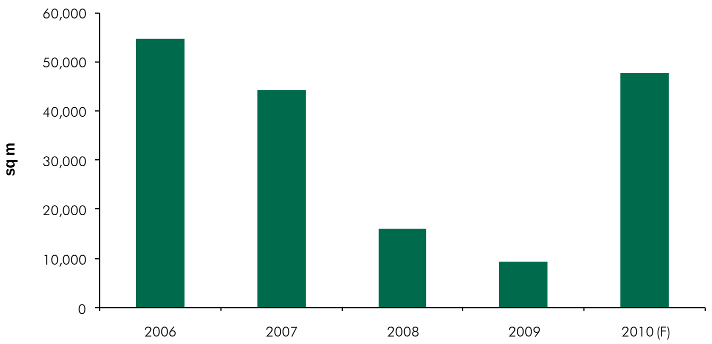
Forecast of Offices Completions 2010 - Porto

Building	Zone	Developer	Area (sq m)	Completion
Sede EDP Porto	1	Adicais	7,200	H2 2010
Adicais II	1	Adicais	6,186	H2 2010
Boavista Palace Offices	1	HN	2,590	H2 2010
Oporto Bessa Leite II	1	HN	6,340	H2 2010
Polo de Serviços da Maia	4	ABB	15,000	H2 2010
Porto Office	5	JFS	4,500	H2 2010
TOTAL			41,816	

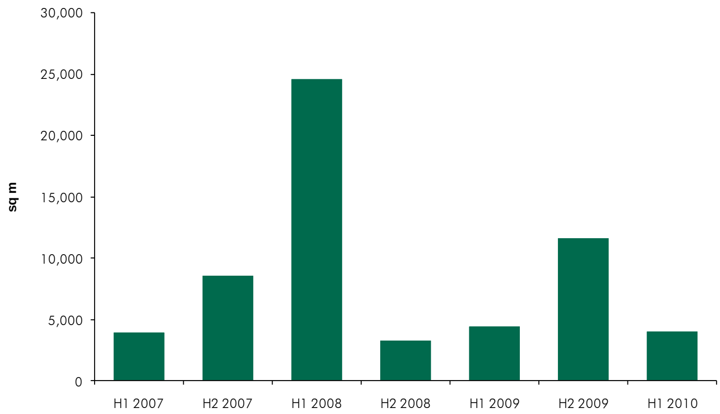
Source: CB Richard Ellis

Annual Evolution of Additional Office Stock - Porto



Source: CB Richard Ellis

Office Gross Take-Up - Porto



Source: CB Richard Ellis

Prime Rent Evolution - Porto

Source: CB Richard Ellis

PORTO

The office market in Porto is concentrated in four business areas, whose location is illustrated on the map on the last page. All properties not located within the stipulated areas integrate a generic zone, Zone 5.

SUPPLY

The stock of offices in Porto registered in the 1st half of 2010 was 838,900 sq m. With the conclusion of Magnum Building (Zone 1 - Boavista) of 4,800 sq m and the building Quinta do Infante (Zone 5) with 1.300 sq m of office space supply increased by about 6,100 sq m.

By the end of 2010 new developments, will add an additional 41,830 sq m of new supply, representing a volume significantly higher than in 2009. It should be mentioned that some projects scheduled for conclusion in the 1st half of 2010 were delayed only concluding in the second half of this year.

About half the area of business spaces in construction is located in Zone 1. Almost all buildings apart from the future headquarters of the EDP are speculative construction.

DEMAND

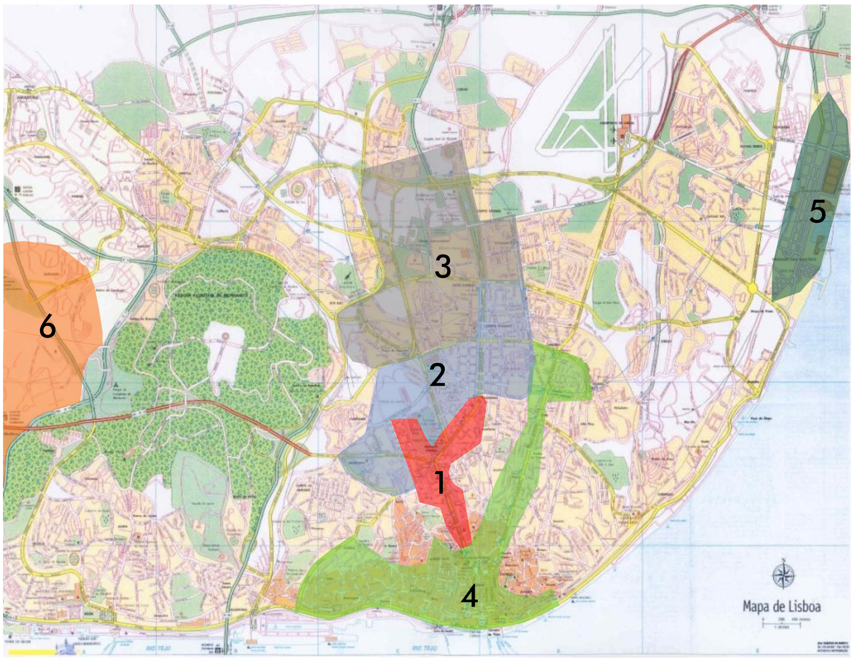
In terms of demand, the office market in Porto recorded in the 1st half of the year a slight decrease in gross take-up levels, when compared with the same period in 2009, with a total of approximately 4,000sq m of floor space. However, when compared with the second half of 2009, the decline is even sharper, less than half the levels of area taken up during this period.

Among the transaction in the first half of 2010, the take-up of 550 sq m of the Arrábida Building by the Douro Waters and Paiva (Zone 3), 800 sq m in Tecmaia by Adidas (Zone 4) and 800 sq m in the Burgo Building by VP Consulting (Zone 1) were some of the most important.

PRIME RENTS

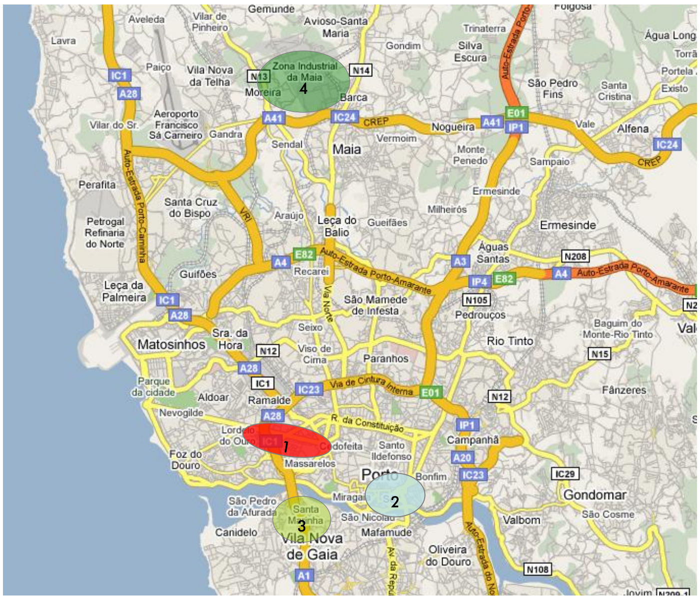
In the 1st half of 2010 there was a decrease in the amount of prime rent to 14,0 € / sq m / month, representing a decrease of 5 € /sq m / month since the end of 2009. This decline is due to the small size of the Porto office market and the lack of demand seen in the last quarters of 2010.

Lisbon Map



Zone 1: CBD – Av. da Liberdade, Saldanha
Zone 2: CBD – Av. da República, Amoreiras
Zone 3: Expansion Area - Praça de Espanha, 2ª Circular
Zone 4: Historic Centre, Av. Almirante Reis
Zone 5: Parque das Nações
Zone 6: Western Corridor

Porto Map



Zone 1: Boavista
Zone 2: Baixa
Zone 3: Vila Nova de Gaia
Zone 4: Maia

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