

Market Indicators

H1 11 / H2 10 H1 11 / H1 10

Invest. Turnover	↓	↓
Prime Yields	↑	↑
Foreign Investment	↓	↓

Trends

H2 2011 / H1 2011

Invest. Turnover	↑
Prime Yields	↔
Foreign Investment	↑

Hot Topics

- For the second half of the year an increase in investment turnover is expected as there are a few prime assets under transaction.
- German open-ended funds should keep away from Portugal. However the closure of a few transactions with other foreign funds, with a core profile as well as with private investors, are foreseen.
- It is also expected that due to the need for bank capitalization, a number of assets requiring debt refinancing, that may appeal to opportunistic investors, could emerge.
- After a sharp increase in the first half of the year, Prime Yields should maintain stable.

INTRODUCTION

The Portuguese economic situation aggravated by the sovereign debt crisis and politic turmoil discouraged major international investors and strongly affected liquidity and access to funding by domestic investors in the first half of the year. In this context, the Portuguese investment market recorded one of the lowest investment levels of the past decade.

However, a new government with parliamentary majority was recently elected, a bailout of 78 billion approved by EU and IMF, and new severe measures are being launched in order to balance public accounts and improve the Portuguese economy.

All these measures lead us to believe that the conditions for the gradual recovery of the country are set.

INVESTMENT IN PORTUGAL IN H1 2011

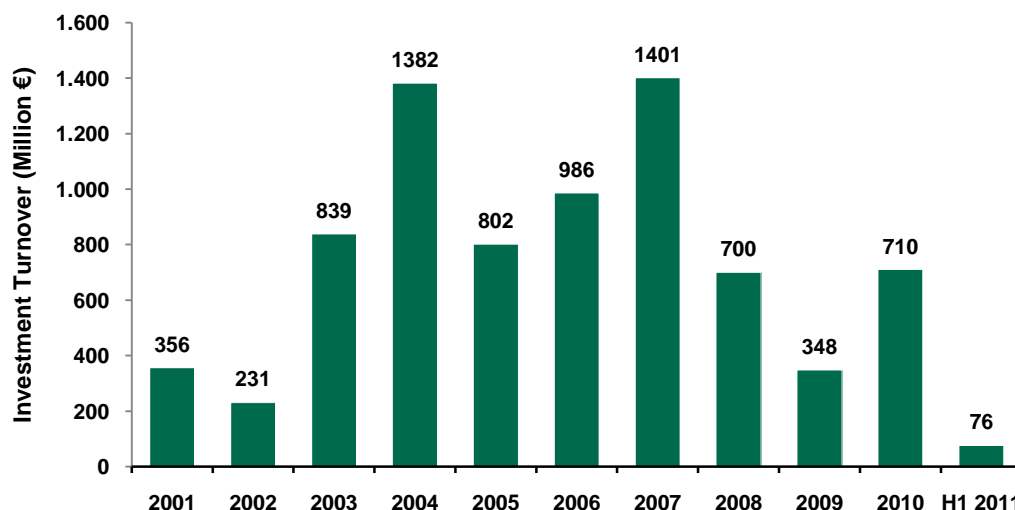
• 1st half 2011 reveals strong decline in investment turnover

Investment in the Portuguese property market reached just 75 million Euros in the first half of 2011. This is one of the lowest values of the past decade, equivalent to that registered in the first half 2009 with the outbreak of the sub-prime crisis.

• Retail sector is still the more dynamic

With regards to investment turnover per type of asset transaction, retail deals were predominant, with a 87% quota. Investment in office and industrial & logistics sectors was residual, with only one transaction identified in each sector. In the retail sector the deals done include predominantly street retail and food retail. The sale of two anchor units in Vasco da Gama Shopping Center, which together represent more than 50% of the investment in the semester, should be noted.

Investment Turnover Evolution in Portugal (Million €)



• Investment of predominantly national origin

Circa 90% of the investment in Portugal had national origin with predominance of open-ended funds. Notwithstanding, there were a few transactions generated by foreign investors, namely opportunistic, as given the current situation, the core investors have stayed away from the Portuguese market.

• Increase of redemptions in Portuguese open-ended funds

With the increase in the bank deposits interest rates we have begun to see, in the end of last year and in the first half of 2011, an increase in the number of redemptions in the Portuguese open-ended funds. According to APFIPP, the turnover managed by these funds registered a decrease of 205 million Euros since the beginning of the year, reflecting a percentage fall of 4.2; and a y-o-y reduction of 360 million.

• Sharp increase in Prime Yields in the first semester of 2011

After a period of prime yields compression in 2009 and beginning of 2010, and stabilization along 2010, we saw a sharp prime yield increase in all the Lisbon office sub-zones with raises between 50 and 100 b.p., being 75 b.p. at CBD1. In this way office prime yields back to the same levels they had at the sub-prime crisis period.

In the industrial & logistic sector there was also a correction in the prime yield, although this change was softer, increasing 25 b.p. in the Lisbon assets and 50 b.p. in Porto.

The retail sector maintains the yields stabilised with exception to the retail parks format with an increase of 50 b.p. in the first half of the year.

Major Market Indicators

Sector	Prime Yield (%) Q2 2011	Prime Yield (%) Q4 2010	Investment Turnover H1 2011 (M€)	Investment Turnover 2010 (M€)
Office	7,50	6,75	4,5	62
Retail	7,00	7,00	65	437
Industrial & Logistics	8,00	7,75	6,5	170
Other	-	-	0	41
TOTAL			76	710

Source: CB Richard Ellis

Major Investment Evidences in H1 2011

Property	Type of Asset	Vendor	Purchaser
Continente and Worten at Vasco da Gama SC	Retail	Sonae Distribuição	Imofomento
Continente at V. Franca Xira	Retail	Sonae Distribuição	Finipredial
Modelo Continente at Tires	Retail	Sonae Distribuição	NK
Warehouse at Vila do Conde	I&L	Maia & Maia	CA Património Crescente

Source: CB Richard Ellis

FINAL NOTES CB Richard Ellis

The turnover value calculated relative to investment on the Portuguese property market results from the accumulated value of pure investment transactions concluded during the year. This value does not include instrumental and fiscal efficiency operations or restructuring of groups, as well as the acquisition of property by the relevant occupiers. Therefore, this calculation does not include transactions resulting from the transfer of properties from companies to property funds, whereby the investor remains the same, as well as the placing of residential property for rental purposes in property funds.

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