



Real Estate Consultants

# Outlook

Portuguese Economic  
& Real Estate Investment

Q1 2020



Key  
Figures



## WELCOME

**This report is framed within the context of the recent events regarding the covid-19. Although this pandemic is a global health crisis – an exogenous shock to the economy – it has gradually become an economic crisis.**

This briefing aims to give an overview of the first quarter of 2020, economy and investment wise. All the information has been updated until the 25<sup>th</sup> of May, however, data from Q1 still does not reflect the real impact of the coronavirus (SARS-COV-2).

Outlook

## Key Figures

- At the end of the first quarter of 2020, GDP had a q-o-q decrease of -3,9% and a y-o-y change of -2,4%;
- Projections point to another contraction during the second quarter;
- The Portuguese government bond yield has increased to 0,97% (from the previous month of march, where it stood at 0,71%);
- Looking back at the last 3 months, since de lockdown, stock markets have fallen sharply and government bond yields fell, while prices increased;
- The commercial real estate investment saw another increase in the quarterly volume – a compelling dynamic growth compared to other countries;
- Retail generated more than €800M;
- The wait-and-see attitude still prevails;
- Therefore, we foresee a slight decrease in transaction volumes during this second quarter.

### GDP GROWTH Q1 2020

-3,9%

### 10-Y AV. GOVERNMENT T BOND YIELD - April '20

0,97%

### INVESTMENT VOLUME Q1 2020

€1.5bn

### TRANSACTION VOLUME GROWTH (QOQ)

+6%

Source: INE & Bank of Portugal



## ECONOMY

In light of the covid-19 outbreak, the Portuguese economy, as do all countries at the moment, are facing a period of high uncertainty which leads to difficult forecasts.

The IMF projected a global economy growth to fall to -3% in 2020.

According to the Bank of Portugal, the first guidelines for this years' GDP growth are aiming at -3,7% (for a base scenario) and -5,7% (for an adverse scenario), however, these values may change depending on current status of the upcoming months. The same applies for the unemployment rate, where it still stands at 6,7%, until further updates.

Comparison with the previous financial crisis is inevitable, however, the present crisis is an exogenous shock to the economy and exposes other issues besides the financial system.

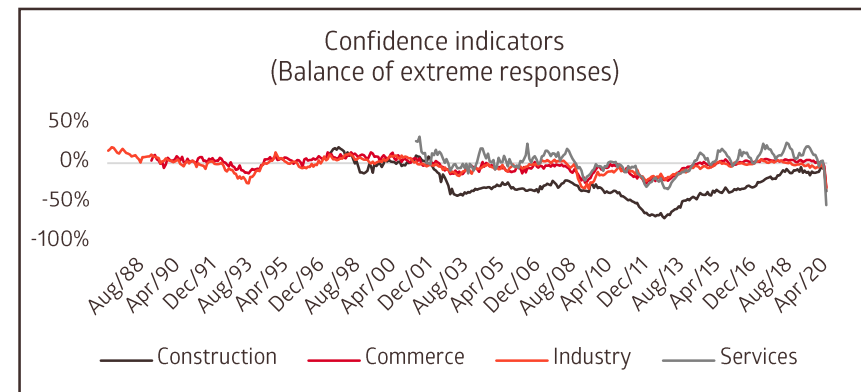
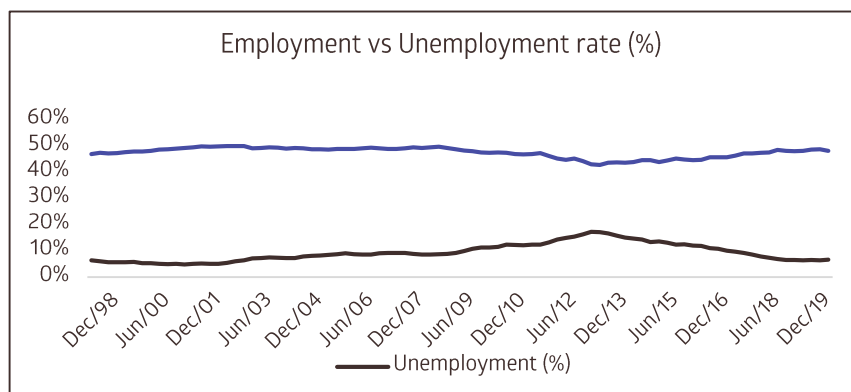
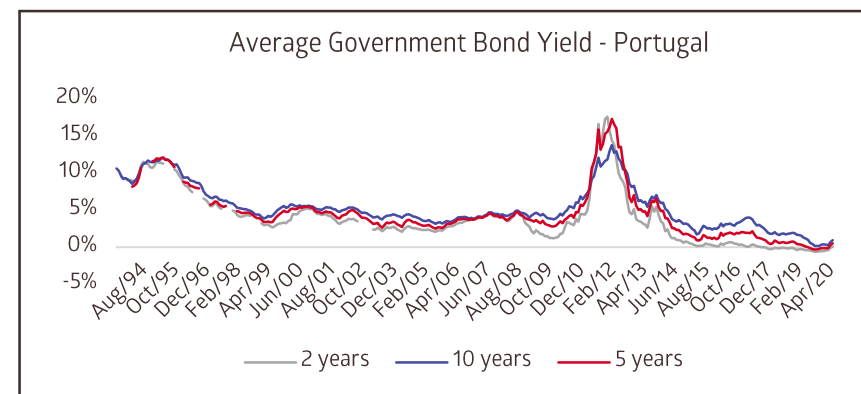
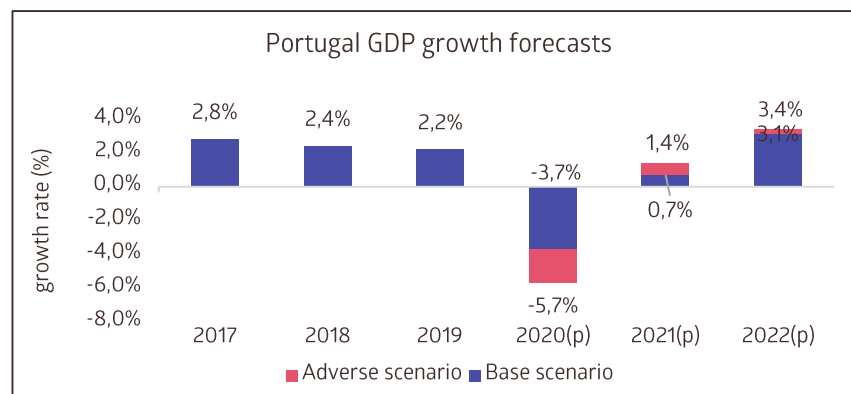
The lack of cash inflows during these last months have indeed triggered many companies to adapt and cut costs, therefore the government and banks have applied especial measures regarding forbearance and other fiscal measures in order to reduce the risk of default. These measures may restraint long-term issues, but the outcome still relies on the spread of the virus.





## ECONOMY

### DATA REPORT



Source: INE & Bank of Portugal



## INVESTMENT

Investment in this first quarter of 2020 marked a positive y-o-y growth reaching a total of around €1.5 billion. This volume reflects the ongoing negotiations prior to the lockdown, so it is expected a decrease during this next quarter due to this current barrier and uncertainty in the negotiation process.

Around 50% of the total transaction volume was essentially due to one joint-venture in the Sierra Fund from Elo Mutual Pension Insurance Company, Allianz Group and APG Group, committing to a 25% stake each. This deal included 6 shopping centers, 4 of which are in Portugal: Colombo (115k sq.m), Vasco da Gama (52k sq.m), NorteShopping (75k sq.m), and CascaiShopping (74k sq.m).

Therefore, retail had a great deal on this quarters volume, weighing around 56% of the total, followed by hospitality with 25% (which includes a transaction of €300M for a hotel chain (Hotéis Real) and the office sector with a slice of 15%.

Since the major lockdown, most sectors have been forced to halt their activities, at least partially, and are now starting off again slowly. However, in some cases, such as the hospitality sector, this industry may still suffer from these events for an extended period of time due to travel restraints and a somewhat slower recovery in consumer confidence.

On another hand, the food retail industry has had an increase demand during the lockdown, with the help of e-commerce and therefore a pressure on the logistics side. Strains occurred on the shortages, delays and covid-19 related sickness.

The impacts of this pandemic are truly unprecedented and will definitely mark some changes, namely in the way we interact, consume, work and perhaps become more resilient and less exposed to all sorts of risks.



## INVESTMENT

### TOP 3 TRANSACTIONS

#### RETAIL

**Sierra Prime  
Allianz & ELO**

> 750M€

(Portuguese assets only)

#### HOTEL

**Portefolio Hotéis Real  
Palminvest**

Confidential

#### OFFICE

**Portefolio Preof  
Cerberus**

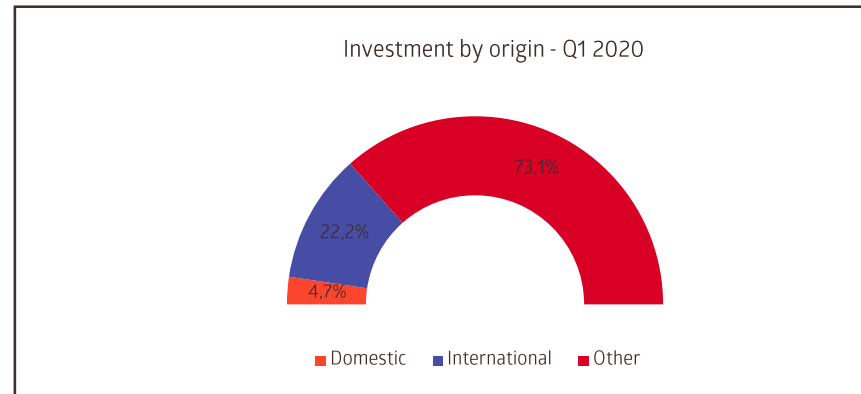
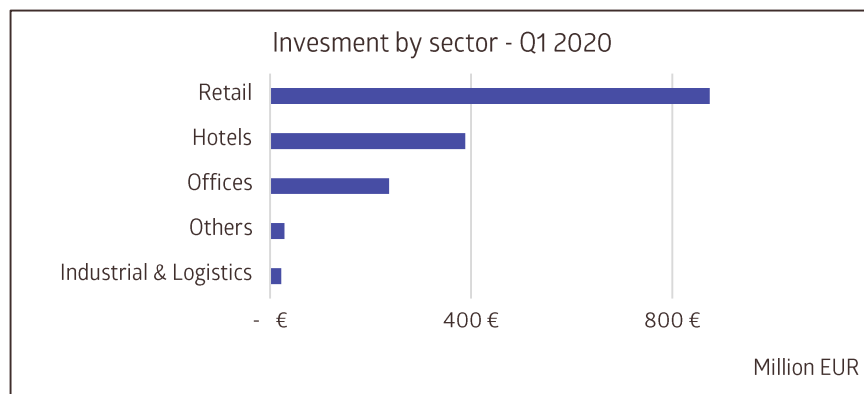
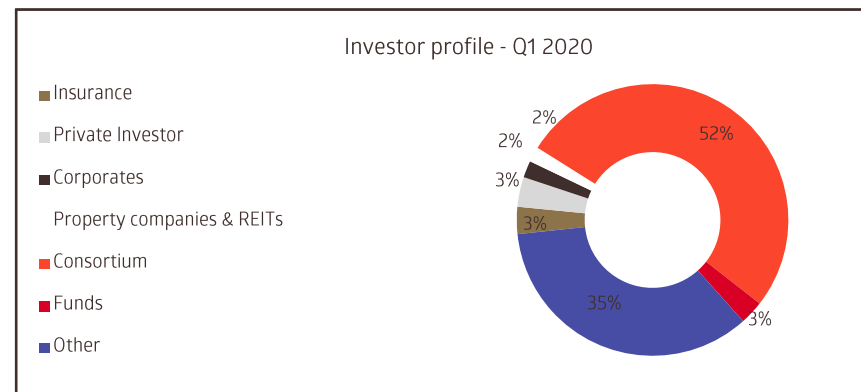
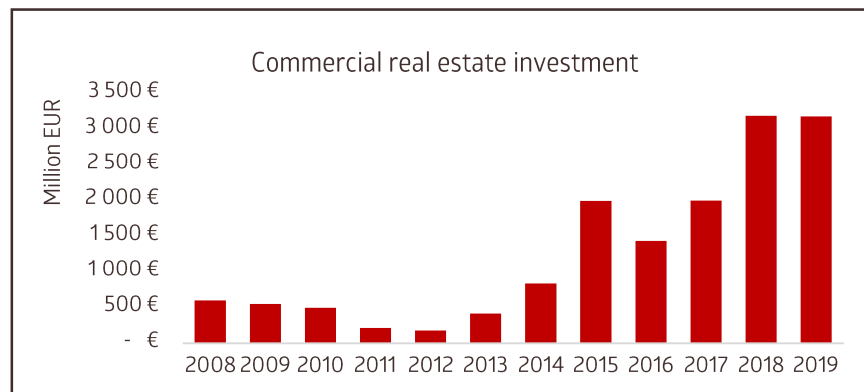
> 140M€





## INVESTMENT

### DATA REPORT



Source: WORX





## OPINION MAKERS

The commercial real estate investment in Portugal has remained on hold since the lockdown, however, we've witnessed a strong interest in the market every day while establishing contact with our clients. Investors are clearly interested and liquidity is definitely around, although the current situation still doesn't allow many decisions to be made.

While some deals have been postponed due to a high degree of uncertainty, others have indeed occurred during the first quarter as a result of prior negotiations to the covid-19 outbreak. Some investors have also taken this opportunity to manage and focus on their own assets.

Thus, approaching the end of the lock down and until the end of the year, we expect to see a few more deals being closed, but an overall decrease in transaction volumes when compared to the previous year. Nevertheless, we expect clients to remain engaged in the Portuguese commercial real estate market as it offers a secure investment during these volatile times and when up against other investments.

Portugal has indeed been internationally praised by many due to its responsible and sensible behaviour during these rough times and now taking down lockdown measures with extreme caution will definitely leave us on the spot and critical for an abroad perception.

PEDRO VALENTE | HEAD OF CAPITAL MARKETS



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