



THE COUNTRY

Population	10.6 mn
Top Cities	
Lisbon	2.0 mn
Porto	1.3 mn
Braga	177,000
Coimbra	133,000
Setubal	125,000
2010 estimate	
GDP	US\$231 bn
GDP per Cap	US\$24,020
GDP Growth	1.5%
CPI Inflation (average)	1.3%
10 yr Bonds (yr end)	6.7%
Unemployment (average)	10.7%
Politics	
The President, Anibal Cavaco Silva was recently re-elected for a new five year mandate.	



The commercial property investment market in 2010 registered an increase of 19% in volumes, bringing the year's total to €705 million. The second half of the year was especially active, accounting for more than 60% of the deals closed. National investment funds were the key participants in this increase with 55% of the year-end total volume. Although this was impressive growth, given the state of the country's economy, main players in the market are still adopting a cautious strategy. The occupier market meanwhile has been suffering from the effects of the crisis, rental falls and increases in tenant incentives. On a positive note, however, the pipeline is adjusting to demand and vacancy rates are stable.

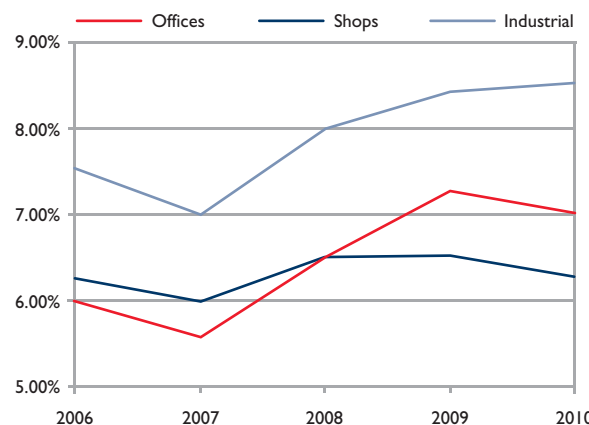
As a result of lower capital values and increasing pressure on investors from senior debt providers, distressed sales are expected to finally take place during 2011, which should allow for a slightly more liquid and balanced market.

Prime yields hardened marginally in 2010 but should remain stable this year, although secondary yields may soften further still. A few core German funds and opportunistic investors are



Cushman & Wakefield acted on behalf of Sonae Retail Properties on the sale & leaseback of a 50,000 sq.m logistics platform in Azambuja (Greater Lisbon)

HEADLINE PRIME YIELDS



currently the most active players seeking prime stock, with more opportunistic investors expected to enter the market as the year progresses. Liquidity issues may re-surface for some of the domestic funds, but they should nonetheless be more active during 2011. Key sellers in 2011 are expected to be owner-occupiers with pressure on their balance sheets and financing requirements. A number of property companies may also look to dispose of assets, as may some distressed local funds.

TRADING COSTS

Portuguese open ended funds and SPVs are exempt from transfer tax which brings total transaction costs down to circa 1.50%.

Transfer Tax	6.50%
Notary, Stamp Duty & Registry Costs	0.30% - 1.00%
Legal	0.50%
Agency	1.00% - 2.50%
Other	n/a

KEY ATTRactions

- Capital value falls over the last two years
- Less competition for investment stock
- Transparent and increasingly mature market
- Euro Zone country

KEY DRAWBACKS

- Economic uncertainty
- Sovereign debt crisis and country rating
- Lacklustre performance from the occupational market
- Restrictions on debt finance

PROPERTY MARKET

2009 Investment Vol.	€593 mn
2010 Investment Vol.	€705 mn
Change from 2009	18.8%
Interest Rate (Dec 10)	1.00%
Currency (Dec 10)	US\$1 = €0.75
Rent Measurement	€/sq.m/mth