

PORTUGAL

Cushman & Wakefield

Global Cities Retail Guide



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Portugal is the most western country in Europe and in addition to its domestic market of some 10.3 million people, it is also a gateway to a 250 million Portuguese speaking market including Brazil in Latin America and Angola in Africa.

A large share of the Portuguese population lives in the metropolitan areas of Lisbon, the capital, and Porto, its second largest city which is located in the north of the country.

Tourism is a strategic and vital sector of the Portuguese economy with the main hotspots being Lisbon, Porto, Algarve and Madeira.

The cities of Lisbon and Porto are the first markets retailers focus on when entering Portugal, and although in the past town centre retail has been secondary, the market is changing and high street retail now enjoys strong interest from both national and international retailers.



PORTUGAL OVERVIEW

PORTUGAL

ECONOMIC OVERVIEW

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	2.1	1.6	1.4	1.1	0.9
Consumer spending	2.5	2.0	1.4	1.2	1.0
Industrial production	-0.2	1.2	1.5	1.3	1.3
Investment	4.4	3.3	2.8	2.3	1.6
Unemployment rate (%)	7.0	6.4	6.1	6.1	6.2
Inflation	1.0	1.0	1.5	1.7	1.8
US\$/ € (average)	1.2	1.1	1.2	1.2	1.3
Interest rates 3-month (%)	0.0	0.0	0.2	0.5	0.7
Interest rates 10-year (%)	1.8	1.6	2.2	2.9	3.3

ECONOMIC BREAKDOWN

Population	10.3 million (2018F)
GDP (nominal)	US\$ 238.1 billion (2018F)
Public Sector Balance	-0.5% of GDP (2018F)
Public Sector Debt	144% of GDP (2018F)
Current Account Balance	-0.4% of GDP (2018F)
Parliament	Left wing coalition
Head Of State	Marcelo Rebelo de Sousa
Prime Minister	António Costa
Election Date	October 2019

RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

PORTUGAL	2018F	2019F	2020F	2021F	2022F
Retail Volume*	3.3%	1.2%	0.9%	0.8%	0.9%

Note: *annual % growth rate unless otherwise indicated. Figures are based on local currency and in real terms. E estimate F forecast

Source: Oxford Economics Ltd.

CITY	POPULATION
Lisbon Metropolitan Area	2,830,000
Porto Lisbon Metropolitan Area	1,720,000
Braga	181,400
Guimarães	153,000
Coimbra	134,150
Vila Nova de Famalicão	132,000
Leiria	125,300



PORTUGAL LARGEST CITIES

PORTUGAL

RETAIL OVERVIEW

MAJOR DOMESTIC FOOD RETAILERS

Continente (Sonae MC Brand), Pingo Doce (Jerónimo Martins Brand)

MAJOR INTERNATIONAL FOOD RETAILERS

Auchan, Lidl, Dia, Internarché and Mercadona (recently entered, first unit opens in 2019)

MAJOR DOMESTIC NON-FOOD RETAILERS

Sonae Specialized Retail (Nos, Zippy, Mo, Sportzone, Worten, Salsa, Well's), Meo, Area, Parfois, Perfumes & Companhia, A Loja do Gato Preto, Seaside, Calçado Guimarães, Tiffosi, Grupo Tempus.

INTERNATIONAL RETAILERS IN PORTUGAL

Inditex, Primark, IKEA, H&M, C&A, Kiabi, Fnac, Cortefiel Group, Mango, Foot Locker, Calzedonia Group (Intimissimi, Calzedonia, Tezenis), Deichmann, El Corte Ingles (Department Store), Kiabi, Kinda Home, Flying Tiger.

FOOD AND BEVERAGE OPERATORS

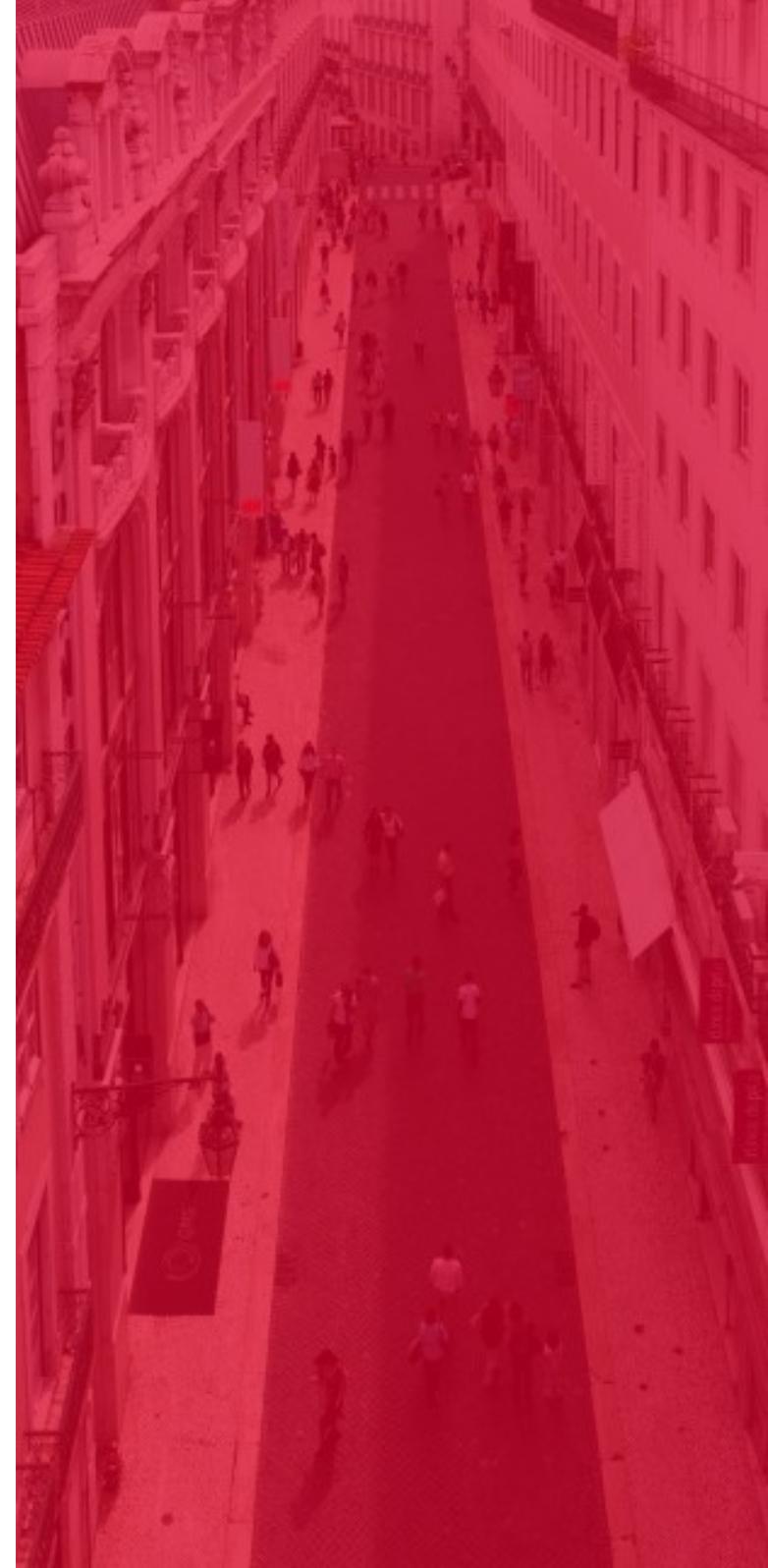
Ibersol Group (Pizza Hut, KFC, Pans & Co), McDonalds, H3, Burger King, Portugalia, Multi Food Group, Starbucks Coffee, A Padaria Portuguesa, La Tagliatella, Mercantina, Jamie's Italian, JNcQUOI, José Avilez

TYPICAL HOURS

	MONDAY – FRIDAY	SATURDAY	SUNDAY
High Street	10.00-20.00	10.00-20.00	Closed
Shopping Centres, Retail Parks & Factory Outlets	10.00-23.00	10.00-23.00	10.00-23.00

NEW ENTRANTS TO MARKET

Sandro, Maje, Iro,	Armani Exchange	Vans	L'Occitane	Adidas
Steve Madden	Brownie	Falconeri	Lola Wants	Huawei
JD Sports	Jo Malone	Jamie's Italian	Udon	Mercadona (2019)



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RETAIL SCENE

The retail sector has, since the 1990s, been the most dynamic sector in the property market in Portugal. Many modern shopping centres have been developed successfully, catering to retailers keen to tap into the increasingly demanding consumer. Thanks to best-in-class design, leasing and management practices, Portuguese shopping centres have attracted a considerable amount of foreign investment.

Modern retail space (shopping centres, retail parks and factory outlet centres) in Portugal as of Q1 2019, amounted to circa 3.8 million sqm. Shopping centres represent 82% of the total supply with over 3.1 million sqm, retail parks total circa 470,000 sqm and factory outlet centres around 210,000 sqm. While almost all district capitals in the country feature at least one modern shopping centre, most of the GLA is concentrated in Lisbon and Porto, with the Greater Lisbon region at around 1 million sqm and Greater Porto circa 780,000 sqm.

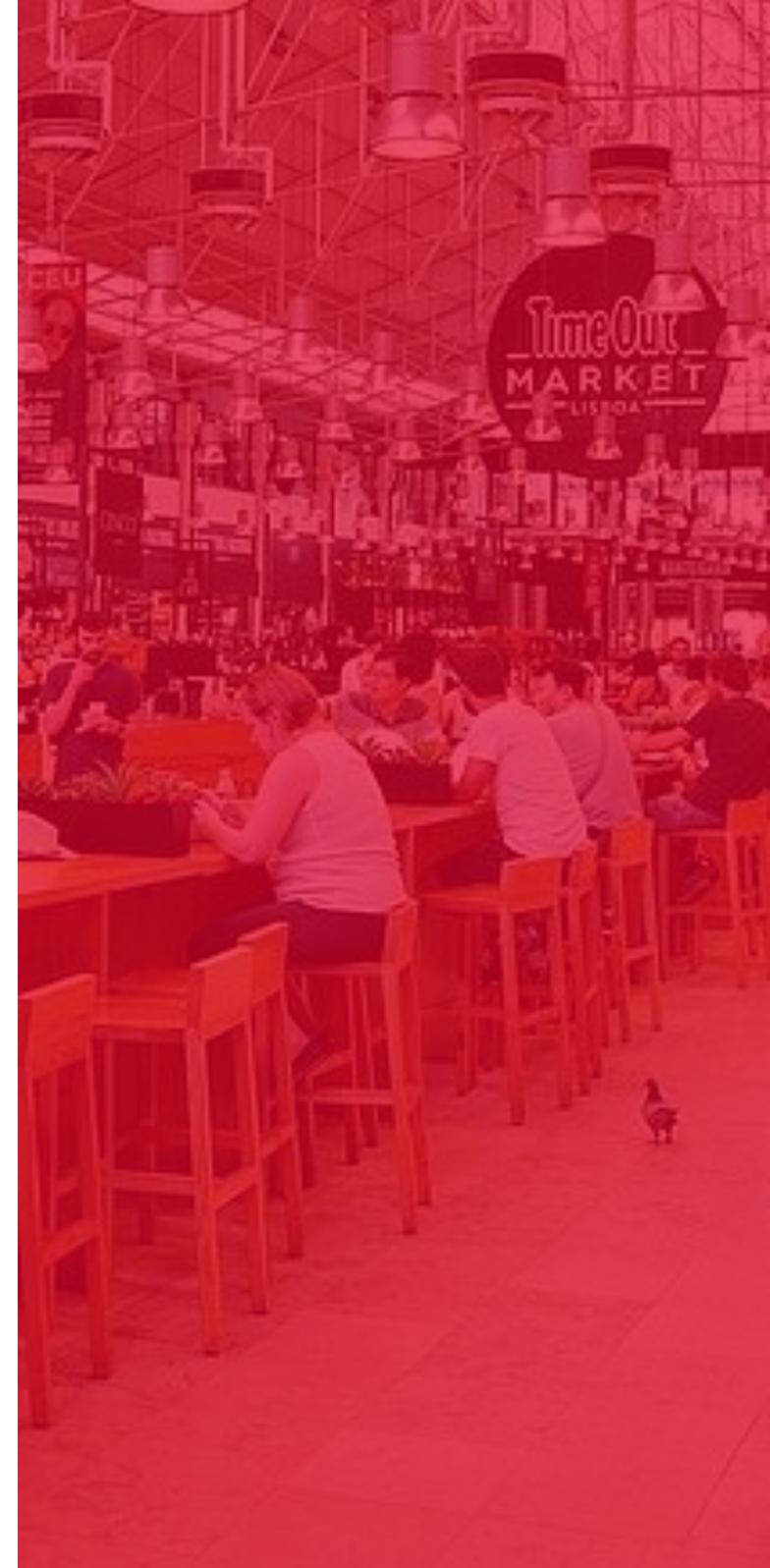
After a long period of stagnation, resulting largely from an antiquated, tenant-protective lease law which hindered modernisation, the high street retail scene has become a very dynamic market in the last decade, fuelled by a combination of a major overhaul of landlord and tenant legislation, improving consumer sentiment after the economic crisis, and ever-increasing tourist visits.

While retailer interest was initially focused mainly on the prime Lisbon locations of Liberdade, Baixa and Chiado, this is now extending to Portugal's second largest city of Porto, where the Clérigos area, Avenida dos Aliados and the Rua de Santa Catarina are now in high demand.

Overall supply in Lisbon city-centres stands at circa 325,000 sqm whereby the three prime retail locations referred above account for 53%, and other city-centre retail clusters, such as Parque das Nações, Avenidas Novas, Principe Real, Alvalade and Cais do Sodré, account for the remainder.

The City of Porto offers a total of 240,000 sqm of retail area. The prime retail locations are Avenida dos Aliados/Baixa (downtown Porto) and Clérigos, which account for 58% of the total retail supply. Emerging locations such as Flores/Mouzinho da Silveira, Ribeira or Miguel Bombarda account for the remainder.

Portuguese retail rents are extremely competitive in the European context and have shown to be more stable in many cases. Prime shopping centre rents are currently of the order of €100 sqm/ month, and high street prime rents stand at €130/ sqm/ month.



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SHOPPING CENTRES

TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Ubbo (former Dolce Vita Tejo)	Lisbon	104,000 *	2009
Centro Colombo	Lisbon	120,000 *	1997
Mar Shopping	Porto	102,000	2008
Almada Forum	Almada (LMA)	79,000	2002
Norteshopping	Matosinhos (PMA)	75,000 *	1998
Cascaishopping	Cascais (LMA)	74,000	1991
Palácio do Gelo	Viseu	73,500	2008
Nova Arcada	Braga	68,500	2016
Parque Nascente	Porto	63,500	2003
Gaiashopping	Vila Nova Gaia	60,000	1995

* With expansion plans

LMA – Lisbon Metropolitan Area

PMA – Porto Metropolitan Area

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KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE

ITEM	COMMENT
Lease Terms	High street contracts have to be divided into contracts agreed with the Old Lease Law in force (before 2006) and contracts signed under the New Lease Law. Before 2006 there was no term for commercial lease agreements and only the tenant could terminate the lease. After 2006, lease length and break options are freely negotiated between parties, and in case no term is agreed, then the duration is 5 years. Since 2014 landlords with old contracts can choose to use a new negotiating tool to increase the rent and transition the respective contract to the new lease law regime. The standard form of lease does not exist for shopping centres, a specific legislation is applied: “use of shop agreement”. Agreements are normally celebrated for 6 years, exception made to anchor tenants in which case usually the duration is 10 to 15 years, with an option to terminate at the 5th or 6th year. In high street retail, break options are increasingly more common.
Rental Payment	In high streets, rents are paid monthly in advance. For shopping centres it is freely negotiated between parties. Turnover/percentage rents are usual in shopping centres; 7% is the common practice for satellite units, for anchors this percentage may vary from 4% to 6%. In high street contracts a security deposit, equivalent to one month rent, is normally required. Bank guarantees are common in both high street and shopping centres, ranging from 6 months to one year rent value.
Rent Review	Although freely negotiated between parties, rents are normally yearly reviewed upwards according to CPI (published by INE), excluding housing.
Service Charges, Repairs and Insurance	A service charge is payable in shopping centres and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, utilities of the common areas and marketing costs. It excludes costs generated in the rented accommodation such as internal maintenance and insurance, utility charges and VAT. Tenant is directly responsible for internal repairs. Insurance of the building is paid by the landlord, but the tenant has an insurance of the unit contents as well as third-party liability insurance. In high street leases the landlord is responsible for the maintenance of the building and has to pay for the insurance, while the tenant has to cost internal repairs and the insurance of the unit. No service charges are applied.
Property Taxes and other costs	Landlords are responsible for paying the local taxes - IMI (between 0.4 to 0.8% of revised fiscal value) and sewage tax (1/8 of IMI). 23% VAT applies to shopping centre rents. In some cases VAT is applicable in high street leases but that is very uncommon.

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KEY FEATURES OF LEASE STRUCTURE

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ITEM	COMMENT
Disposal of a Lease	In high street leases, sub-letting is possible under the terms of the lease, subject to landlord's approval. Assignment rights are normally barred in the lease but will be subject to consent; this applies both to shopping centres and high street. Early termination is only by break clause – to be negotiated at outset of lease by mutual consent upon negotiation. If nothing is agreed, tenant may terminate once 1/3 of the lease contract duration is completed. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to normal wear and tear. All tenant improvements must be approved by the landlord subject to the alteration covenant in the lease and the fact that approval should not be unreasonably withheld.
Valuation Methods	Rents are dictated by the market and shops are valued according to their location. Mezzanines and underground floors are not valued by the same rate as ground floor, usually are quoted 50% below the ground floor area, however this is not a solid rule, as it all depends on the quality of the location.
Legislation	Law 6/2006 applies to high street leases. With recent revision of the laws, for old contracts the landlord can choose to use a new negotiating tool to increase the rent and transition the respective contract to the new lease law regime. Leases must be in writing and the lease document forms the standard documentation required. The standard form of lease does not exist for shopping centres, a specific legislation is applied: "use of shop agreement".

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WHAT'S NEXT

REDEFINING THE LANGUAGE OF
RETAIL & LEISURE



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