MARKETBEAT
Brazil

CUSHMAN & WAKEFIELD

Industrial Q3 2019

Economy

Despite the approval of the pension reform by the lower house in August and the Senate first round on October 1, the confidence of an economic expansion in 2019 is no longer true. With a bleak international scenario, marked by the slowdown in global economies compounded by the US-China trade war.

During the first semester the Brazilian GDP grew by 0.7% compared to the same period in 2018. Given the adverse international scenario, the expectation for a stronger economic growth was deteriorated. Even with the approval of the pension reform, which until now is pointed out as the biggest obstacle in the economy, the domestic scenario is below what was expected at the beginning of the year, projections point to a 0.96% GDP growth in 2019, lower than 2018.

Aiming to stimulate people back to consuming, the monetary policy committee (Copom) decreased the interest rate (Selic) to 5.5% a year. Some financial institutions were pushing the "Copom" to increase the stimulus because the low economic growth. At the beginning of the year the inflation rate (IPCA) was projected to have an increase of 4.18% in 2019, but the resumption of consumption didn't perform as expected and the most updated projections point out a 3.43% increase in 2019, even farther from the Central Bank´s 2019 target, which is 4.25%.

Unemployment didn't decline as expected, closing 2018 at 12.27% with a projection of 11.92% in 2019. Despite falling, the unemployment rate remains high.

Economic Indicators	2018	2019(F)	2020(F)
Gross Domestic Product	1.11%	0.96%	⬆
Inflation Rate	3.75%	3.29%	⬆
Unemployment	12.26%	11.92%	⬇

(Source: LCA)

Real Estate Indicators	3Q18	3Q19	2019(F)
Vacancy	23.5%	19.1%	⬇
Net Absorption (,000)	143.2	157.8	⬆
New Deliveries (,000)	125.8	132.0	⬆
Avg. Asking Rent (R$)	19.52	19.58	⬆

In September the Consumer's Confidence Index closed at 89.7 points, when it completed its sixth consecutive month below the neutral level of 100 points.

Household consumption growth, which accounts for more than 60% of the GDP demand, should also fall short from what was initially projected, even with the interest rate (Selic) at its all-time low and a falling unemployment rate, the growth should be 1.43% in 2019.

The exchange rate showed a 6.8% devaluation of the Real against the US dollar until August 2019. Other currencies such as the Argentine Peso, the Turkish Lira and the Yuan also had major devaluations against the US currency, due to the uncertain international environment, which causes capital to migrate from emerging economies to more consolidated ones.

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Market Overview

Brazilian logistics market indicators have shown a good results in the first half of 2019, moreover, it continued to be even better in the third quarter of the year. This quarter registered the second largest positive net absorption of the period, which resulted in a steep drop in the vacancy rate.

The highlight in the period was the increase in the asking price. Even the absorptions demonstrating a strong pace of the logistics market in the first two quarters of the year, the price had retreated slightly. By contrast, in the current quarter prices have risen again in all regions of the country.

In addition to current inventory, new developments also kept a strong pace of deliveries in this quarter, mainly concentrated in the South and Southeast regions. Moreover, by the end of the year is expect a large number of square meters to be delivered, which may increase the vacancy rate.

Brazil

Even with the low supply delivered in the previous quarter, but still registering an important quantity of new inventory, about of 132 thousand square meters (k sq.m) delivered. The Brazilian logistics market continues heating up constantly since the beginning of the year. The construction of new speculative supplies in some regions, proves a scenario of a greater confidence in the market's momentum.
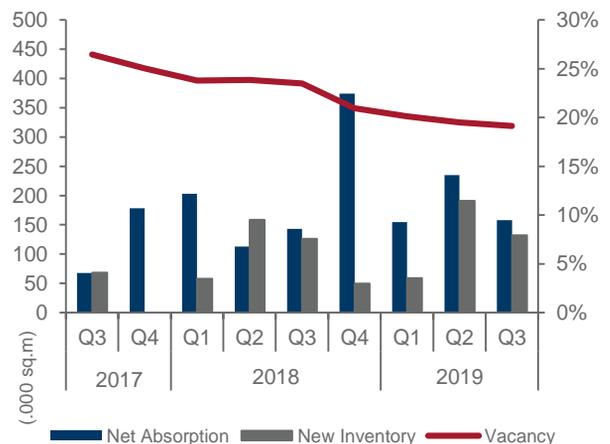
With that been said, such confidence is materialized in a strong absorptions that being recorded this year. In the third quarter, 288k sq.m were occupied, resulting in a net absorption of 158k sq.m. Only the Northeast region had a negative net absorption, while the Southeast and South had the largest net absorption in the country, with 114k sq.m and 42k sq.m, respectively.

The results of lower new supply, allied with the strong positive absorption, kept the vacancy rate falling, which had dropped 0.4 p.p. Therefore, the Brazilian market is currently with the vacancy rate of 19.1%. It has not been that low since the third quarter of 2014.

All this market activity reflected in the asking price, between the second and third quarter the asking price increased only 1.4%, closing out the period at R$ 19.58 sq.m/month.
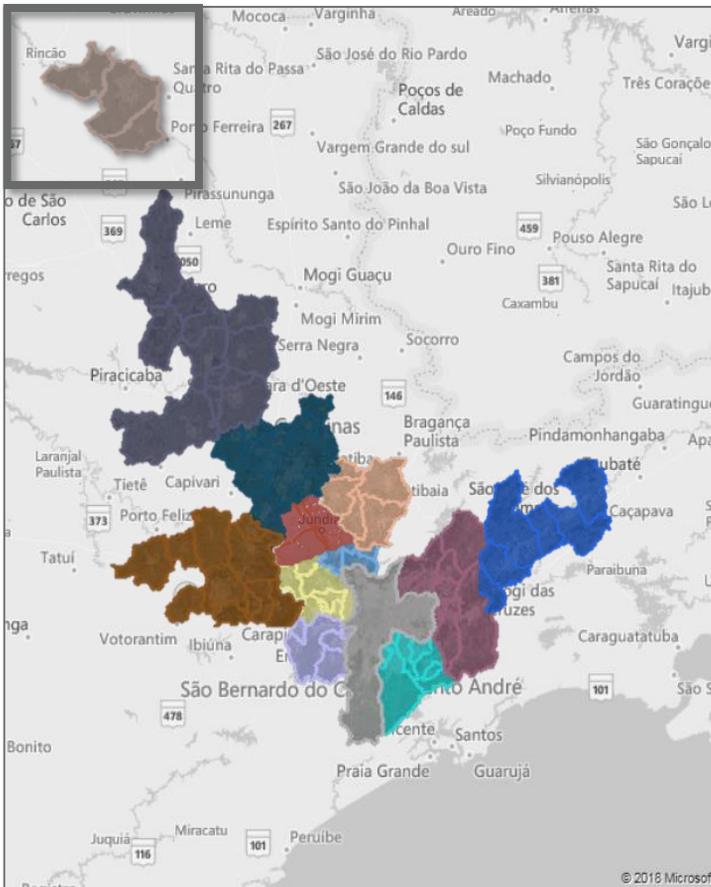
Net Absorption/New Inventory/Vacancy
Source: Cushman & Wakefield

MARKETBEAT
São Paulo

CUSHMAN & WAKEFIELD

Industrial Q3 2019

São Paulo

SUBTITLE

- Capital - SP
- Guarulhos
- Grande ABC
- Embu
- Barueri
- Cajamar
- Jundiaí
- Sorocaba
- Campinas
- Atibaia
- Vale do Paraíba
- Piracicaba
- Ribeirão Preto

Vacancy rate

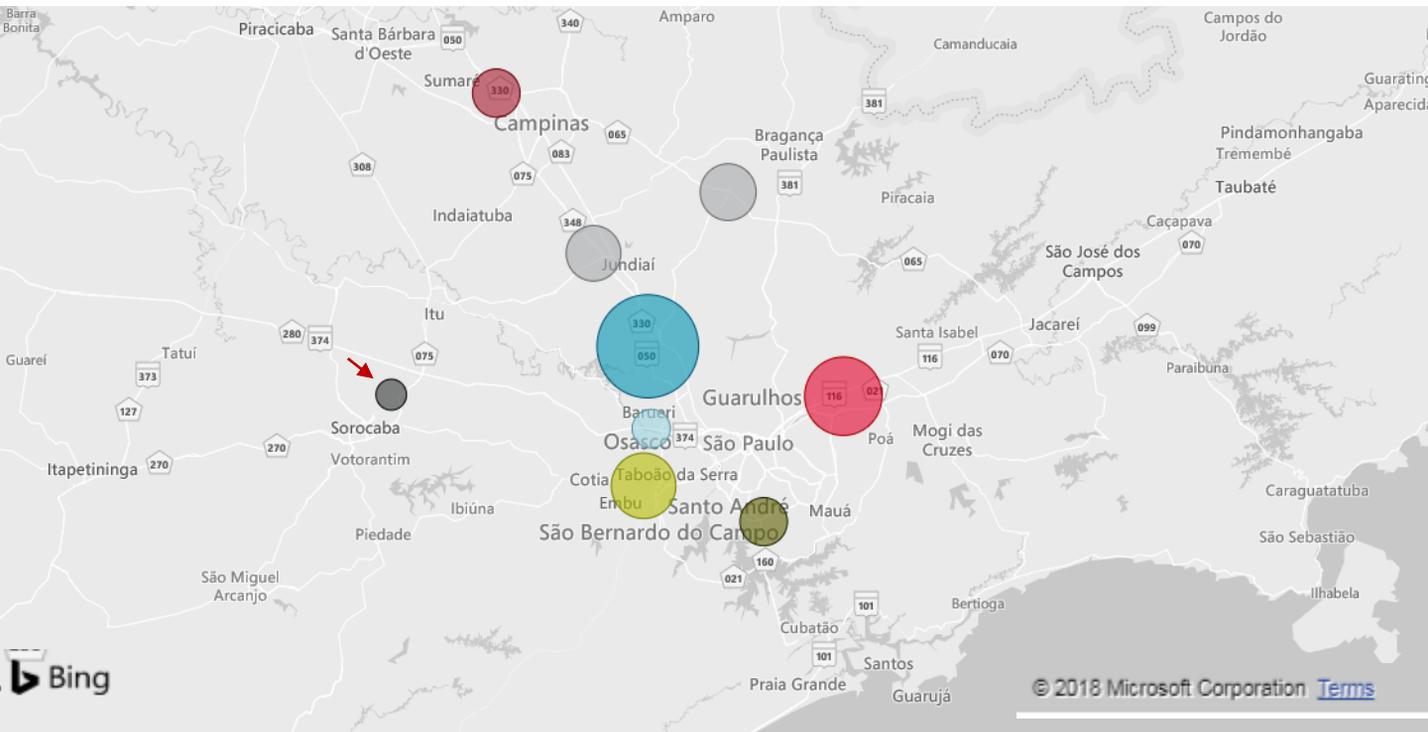**The state registered the lowest vacancy rate in 6 years of historic series in the third quarter of 2019**

On the third quarter of 2019, the Brazilian's Class A and A+ logistic market reached at numbers that hasn't been seen since 2013. As well as the largest logistic hub in the country, São Paulo - which has a current vacancy rate of 17.9%, a lower rate if we compared to last years, mainly due to a great occupations of retail trade and logistics sector companies.

São Paulo has delivered only 50k sq.m of new inventory in this quarter, it helped to record the lowest vacancy rate in 6 years of historic series. However, the pipeline for the next quarter is very large, which may pressure up the vacancy rate.

The asking rent closed out the third quarter in R$19.26 sq.m/month, an increase of 2% compared to the previous quarter. Even with the top players seen positive values in the market, nowadays the landlords are less susceptible to ease negotiation with tenants, however, they are not practicing higher prices.

Industrial Q3 2019

Market Bubble

●Atibaia ●Barueri ●Cajamar ●Campinas ●Capital - SP ●Embu ●Grande ABC ●Guarulhos ●Jundiaí ●Piracicaba ●Ribeirao Preto ●Sorocaba ●Vale do Paraíba

Net Absorption

Additionally, the region registered a net absorption of 135,6k sq.m in this quarter, a soft drop if compared to the second quarter of 2019, but representing an increase of 42% if compared to the same quarter of last year. The regions responsible for the largest leases were Cajamar, Guarulhos and Embu.

The only region with a negative net absorption is Sorocaba (-3.5k sq.m), indicated by the arrow on the map.

MARKETBEAT
Rio de Janeiro

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Industrial Q3 2019

Rio de Janeiro

SUBTITLE

- Avenida Brasil
- Pavuna
- Duque de Caxias
- Belford Roxo / Nova Iguaçu
- Campos
- Santa Cruz / Campo Grande
- Vale do Paraíba Fluminense
- Queimados / Seropédica
- Niterói

Average Asking Price

The average asking price dropped again and represented a decrease of 0.4% (QoQ)
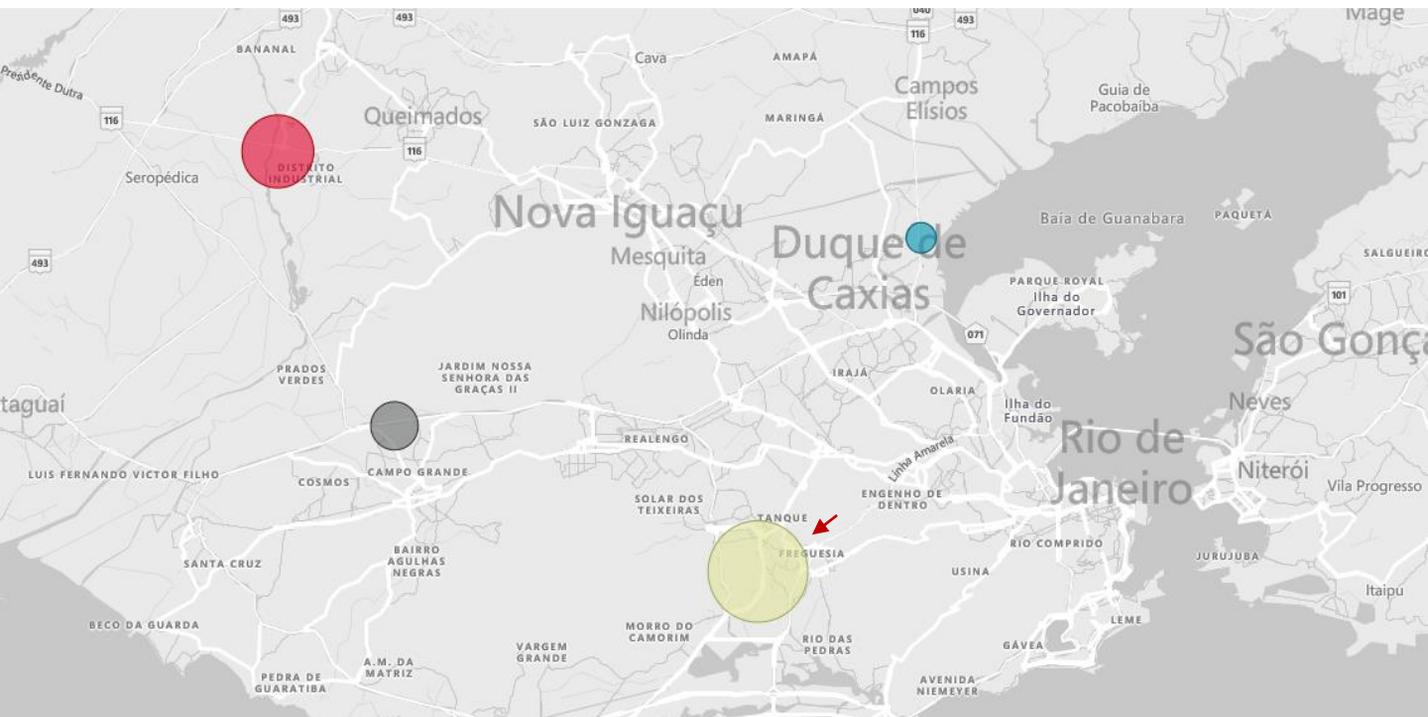
The class A and A+ of logistics market in Rio de Janeiro presented retraction related to the Brazilian's market, which it is gradually heating up. One of the central factors for the setbacks in the demand for logistic space is due to high cargo theft rate, which also became an obstacle to new investments in the region.

As an effect of negative net absorption, many projects were postponed to next year. The vacancy rate continues to go up and has increased 0.6 p.p. compared to the previous quarter, it ended up 25.9% in the third quarter.

The asking rent has dropped again and registered R$20.88 sq.m/month, representing a decrease of 0.4%, compared to the previous quarter. However, it's important to mention that two regions had increase its price, were Duque de Caxias and Santa Cruz/Campo Grande.

Industrial Q3 2019

Metropolitan Region Absorption

● Avenida Brasil ● Belford Roxo / Nova Iguaçu ● Campos ● Duque de Caxias ● Pavuna ● Queimados / Seropédica ● Santa Cruz / Campo Grande ● Vale do Paraíba Fluminense

Net Absorption

Therefore, differently than the first two quarters of 2019, the state registered a negative net absorption of 11.9k sq.m. The main regions responsible for the largest departures were Duque de Caxias and Santa Cruz/Campo Grande, however, the only region with a positive net absorption was Avenida Brasil.

Although the net absorption was good on the first half of the year and showed signs of resumption, Rio de Janeiro's scenario is still discouraging.

MARKETBEAT
Brazil

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Industrial Q3 2019

BRAZIL - INDUSTRIAL PARK – A and A+						ASKING RENT (R$/sq.m/month)		
REGION	INVENTORY (,000 sq.m)	VACANCY RATE	LEASING ACTIVITY (,000 sq.m)	NEW INVENTORY (,000 sq.m)	NET ABSORPTION (,000 sq.m)	MIN	AVG	MAX
Amazonas	307.5	47.0%	11.6	-	7.9	R$22.00	R$22.00	R$22.00
Bahia	48.4	-	-	-	-	R$16.00	R$18.75	R$21.50
Paraná	642.2	11.9%	11.8	-	5.4	R$9.00	R$15.31	R$20.00
Pernambuco	757.0	12.7%	7.3	-	-7.3	R$15.00	R$17.89	R$18.50
Rio Grande do Sul	200.5	27.8%	6.4	51.8	6.4	R$16.50	R$17.00	R$17.50
Minas Gerais	659.6	15.8%	3.7	-	-9.7	R$16.00	R$19.51	R$23.00
Ceará	113.4	21.8%	-	-	-	R$14.00	R$15.33	R$16.00
Pará	54.0	25.4%	1.5	-	1.5	R$23.00	R$23.00	R$23.00
Santa Catarina	135.4	12.6%	30.0	30.0	30.0	R$10.00	R$14.75	R$19.50
Other Regions	**2,918.0**	**18.2%**	**72.3**	**81.8**	**34.2**	**R$9.00**	**R$18.17**	**R$23.00**
Campinas	1,318.4	18.0%	16.4	-	8.2	R$12.00	R$17.63	R$30.00
Jundiaí	1,507.0	17.8%	24.1	-	13.1	R$15.00	R$19.48	R$38.00
Cajamar	1,354.1	9.2%	74.1	36.6	45.4	R$16.00	R$21.18	R$24.90
Guarulhos	1,231.7	12.6%	31.6	-	28.7	R$18.00	R$21.90	R$27.00
Barueri	814.0	22.9%	5.2	-	1.7	R$18.00	R$21.87	R$25.00
Embu	740.3	13.4%	24.3	-	19.9	R$16.00	R$20.90	R$25.00
Capital - SP	107.1	0.0%	-	-	-	R$23.00	R$26.33	R$28.00
Atibaia	361.5	21.5%	30.5	13.6	14.0	R$16.00	R$19.74	R$21.00
Vale do Paraíba	252.3	43.6%	-	-	-	R$14.50	R$14.75	R$15.00
Sorocaba	301.1	42.5%	-	-	-3.5	R$12.00	R$16.42	R$18.50
Grande ABC	393.1	22.0%	8.1	-	8.1	R$21.50	R$23.44	R$25.00
Ribeirão Preto	138.7	5.8%	-	-	-	R$15.60	R$15.80	R$16.00
Piracicaba	143.3	48.1%	-	-	-	R$13.00	R$15.50	R$18.00
São Paulo	**8,662.7**	**17.9%**	**214.3**	**50.2**	**135.6**	**R$12.00**	**R$19.61**	**R$38.00**
Duque de Caxias	812.4	38.1%	-	-	-7.0	R$18.50	R$23.60	R$28.00
Pavuna	308.5	13.9%	-	-	-	R$20.50	R$25.63	R$30.00
Queimados / Seropédica	219.1	61.2%	0.0	-	-1.8	R$15.00	R$17.90	R$21.00
Santa Cruz / Campo Grande	327.3	2.0%	-	-	-4.8	R$17.00	R$17.00	R$17.00
Belford Roxo / Nova Iguaçu	-	-	-	-	-	-	-	-
Vale do Paraíba Fluminense	211.4	4.5%	-	-	-	R$13.00	R$16.00	R$18.00
Campos	24.5	-	-	-	-	R$15.00	R$15.00	R$15.00
Avenida Brasil	34.6	-	1.7	-	1.7	R$38.00	R$38.00	R$38.00
Rio de Janeiro	**1,937.9**	**25.9%**	**1.7**	**-**	**-11.9**	**R$13.00**	**R$19.71**	**R$38.00**
Brazil	13,518.5	19.1%	288.4	132.0	157.8	R$9.00	R$19.71	R$38.00

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Industrial Q3 2019

Main Transactions 2019Q3

BUILDING	AREA (sq.m)	TENANT/BUYER	TYPE OF TRANSACTION	SUBMARKET
Centro Logístico Marabraz	64,389	Carrefour	Lease	Cajamar
Centro Empresarial do Vale	14,200	Kodac Brasileira	Lease	Vale do Paraíba
Prologis Jundiaí	12,589	Kisabor	Lease	Jundiaí
GR Régis	11,095	PMG Logística	Lease	Embu
Distribution Park Dutra	6,516	TG Logística	Lease	Belford Roxo/Nova Iguaçu

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