

	YoY Chg	12-Mo. Forecast
33.4% Vacancy Rate	▼	▼
-99 Net Absorption (sq.m)	▲	▲
BRL 92.74 Asking Rent (BRL/sq.m)	▼	▼

(CBD Class A)

ECONOMIC INDICATORS 2020

	YoY Chg	12-Mo. Forecast
-9.7% Q2 GDP (QoQ)	▼	▲
14.1% Unemployment Rate (July/20)	▲	▼
2.30% CPI Inflation (12 months)	▼	▲

Source: LCA

ECONOMIC SCENARIO

The expansionary fiscal and monetary policies combined with the flexibilization of social isolation resulted in a resumption of the Brazilian economy in the third quarter. For instance, the Consumer Confidence Index showed a recovery of approximately 17.5% in relation to the second quarter of the year, closing at 83.9, and there was a net employment gain of 380,4000 jobs in July and August. Furthermore, the GDP projection, that was -6,54% previously, followed this optimism outlook during the economy recovery and now it is expected to contract by -5,02%, with a positive expectation for the third quarter. In turn, driven mainly by pressure from food prices, the inflation rate accelerated again, reaching 2.3% in August (12 months). Finally, the cautious speech over the interest rate remained, standing at its current lowest record level of 2,0%, stimulating economic activity. In conclusion, the economic recovery, after the paralysis of economic activities at the worst moment of the pandemic, decreases the government pessimism, despite the market's caution over the increasing public indebtedness.

The most recent information about COVID-19 impact can be found [here](#).

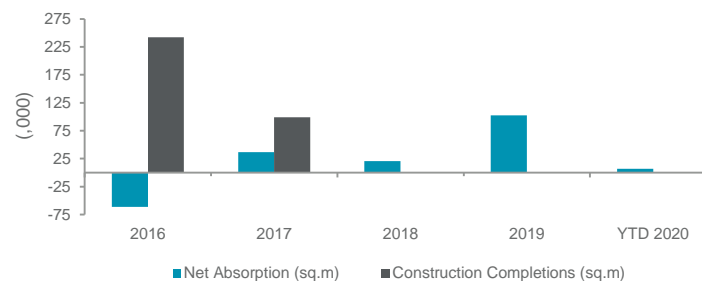
DEMAND: Challenging Moment

Even though September had the highest net absorption for the year, Rio de Janeiro's CBD class A closed out the quarter with -99 sq.m absorbed. This occurred mainly due to excessive departures in July and August, which together added up to more than 7,000 sq.m. Centro, Orla and Zona Sul had the highest concentration of negative absorption for the quarter, however, the Porto region was the responsible for diminishing the negative performance with an occupation from a major tenant (+10 thousand sq.m). The government maintained the social isolation policy and with that, most of the occupations were postponed in corporate buildings, but Rio is showing signs recovery after the negative impact of the first quarter. There are more leases to be absorbed in short term and a positive result is expected in 2020, reducing the vacancy rate.

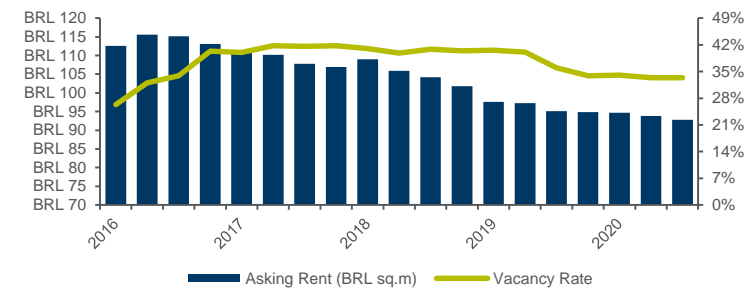
PRICING: Asking Rents are Decreasing

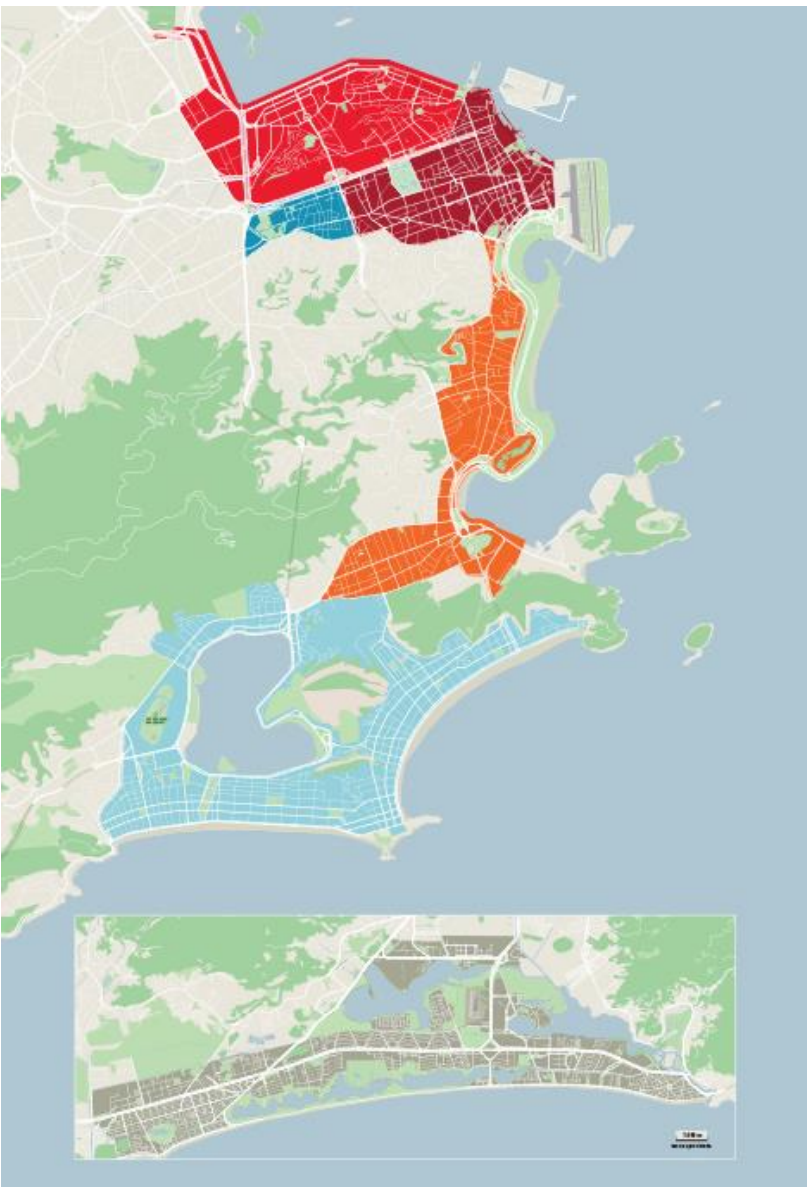
The average asking rent for Rio de Janeiro continued the negative trend since the first quarter of 2018. This drop can be explained primarily due to the city's high vacancy rate and the flight to quality/flight to price movement. The moment is still favorable for tenants with opportunities to move to better buildings and regions in the city. The average asking rent in class A buildings has dropped 1.15% (QoQ), reaching BRL 92.74 per sq.m/month in 2020Q3. In a YoY comparison, rents decreased 2.48%. The highest asking rent in Rio's was BRL 225.01 per sq.m/month in 2011Q3, but the city has not reached more than BRL 98.83 per sq.m/month since January 2019. In addition to the city's high vacancy rate, the lack of new buildings and renovations projects hold back the rental growth.

SPACE DEMAND / DELIVERIES – CBD A



ASKING RENT / VACANCY – CBD A





Market Overview

Rio de Janeiro's market recorded around 80,000 sq.m of leased area that is expected to be occupied in the short term, showing the positive trend of CBD class A buildings, despite the flat performance in the third quarter. The pandemic and the safety measures taken to avoid contamination were adhered to and most of companies started working from home. The shutdown in local workload postponed the year's occupations, and 2020Q3 closed out with a vacancy rate of 33.4%.

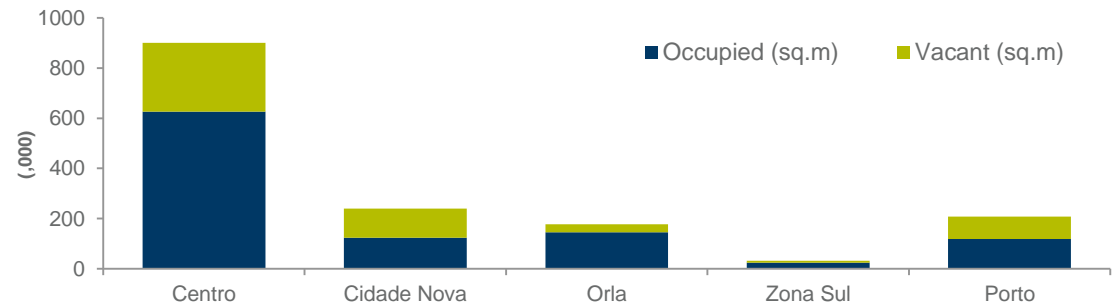
Centro is one of the most attractive regions of the city so the demand for corporate space there tends to be greater due to its wide range of prices and companies. However, this large inventory still has a high vacancy rate, reaching more than 30%. With regards to Porto, and its revitalization process, the region has started to attract more corporate tenants and may attract new projects in the upcoming years.

Still talking about Porto Maravilha, one of the biggest highlights of the quarter was the occupation of more than 10,000 sq.m by a large financial service company. However, a few departures were registered in 2020Q3 from segments such as communication and technology, financial, energy, and car companies, among others. In addition, Centro and Orla recorded a few leases by energy, services and labor organizations.

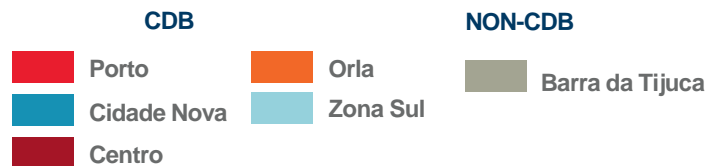
Pipeline

Rio de Janeiro has not had new deliveries since 2018. Due to the harsh economic environment the country has been going through with COVID-19, many projects had to stop construction. At Porto region, Banco Central's project is still stalled, and it is expected to continue in the next years.

SUBMARKET COMPARISON



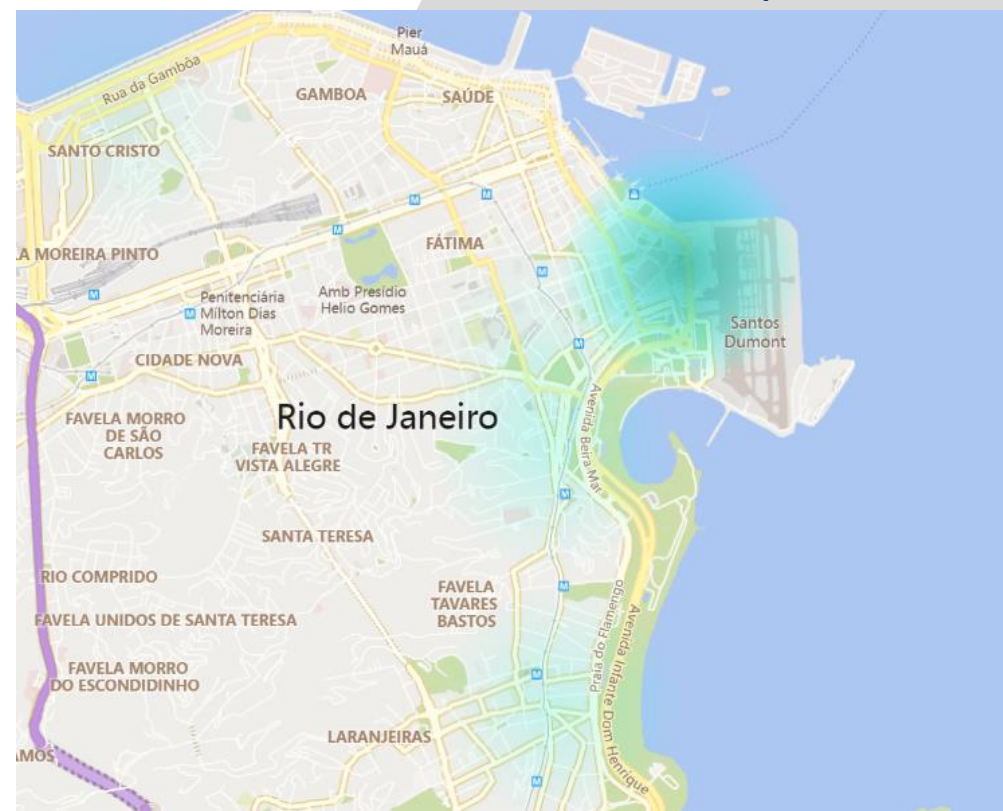
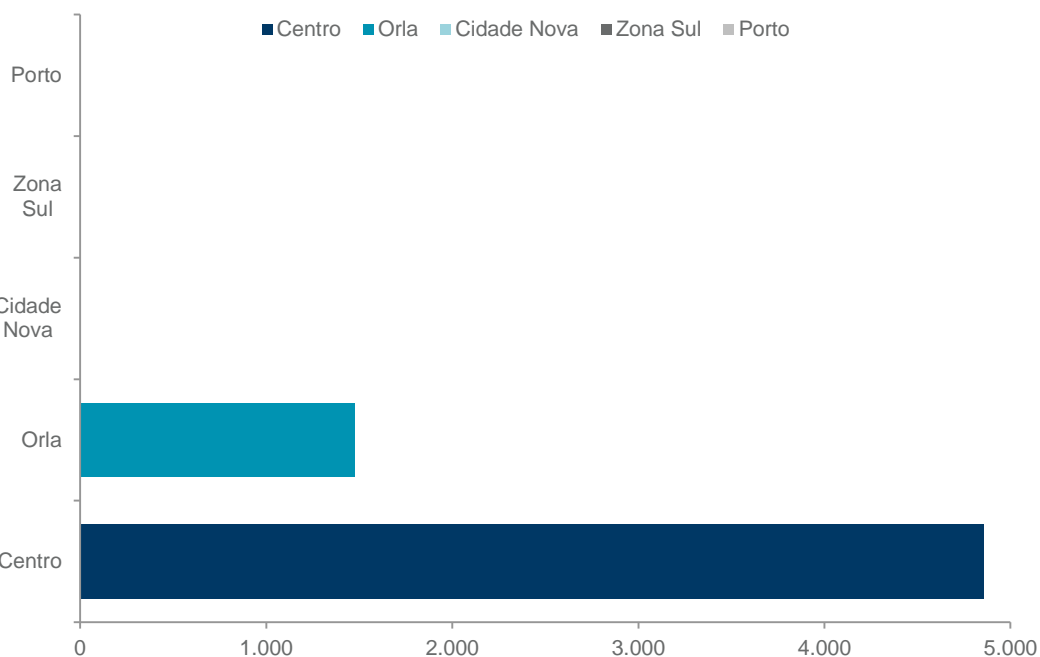
SUBMARKETS



*The vacancy rate calculated and established by Cushman & Wakefield, which takes into account the effective occupation is at 33.39%, While the commercial vacancy rate considering tracked leases in Rio De Janeiro CBD classes A and A+ closed out the third quarter at 28.59%.

Leasing Activity - 2020Q3

Heat Map - 2020Q3



Centro is still one of the most sought-after regions by tenants and with the highest number of leases in the city, followed by Orla. In 2020Q3, together, both regions registered 6,330 sq.m in lease transactions. For the current period, despite the current economic situation faced by the country, lease activity was positive, although not as active as in previous quarters. However, regions such as Porto, Zona Sul and Cidade Nova did not register any new leases..

The heat map is based on the number of transactions throughout 2020Q3. The Centro region is highlighted due to leases in Cinelândia. In Orla, were registered leases in Flamengo and Glória. In a short term, it should push the vacancy rate down.

MARKET STATISTICS

SUBMARKET	NUMBER OF BUILDINGS	INVENTORY (SQ.M)	AVAIL AREA(SQ.M)	DIRECT VACANCY RATE	CURRENT QTR DIRECT NET ABSORPTION (SQ.M)	CURRENT QTR DIRECT GROSS ABSORPTION (SQ.M)	LEASING ACTIVITY (SQ.M)	UNDER CNSTR (SQ.M)	DIRECT AVG ASKING RENT (MONTH) (ALL CLASSES)*	DIRECT AVG ASKING RENT (MONTH) (CLASS A)*
Centro	36	900,273	273,484	30.38%	-7,445	2,390	4,856	-	BRL 67.8	BRL 97.9
Cidade Nova	7	239,817	116,808	48.71%	-	-	-	-	BRL 69.0	BRL 70.0
Orla	12	177,567	32,317	18.20%	-1,403	-	1,474	-	BRL 87.6	BRL 103.2
Zona Sul	5	31,506	7,965	25.28%	-1,843	-	-	-	BRL 152.8	BRL 196.5
Porto	8	207,770	89,312	42.99%	10,592	10,592	-	-	BRL 75.5	BRL 93.6
Barra da Tijuca	31	192,866	57,240	29.68%	-540	1,122	293	-	BRL 49.6	BRL 80.0
TOTAL CBD A	68	1,556,934	519,885	33.39%	-99	12,982	6,623	-	BRL 71.6	BRL 93.8

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	AREA (sq.m)	TYPE
Passeio Corporate – B	Centro	Elecnor Brasil	379	Lease
Flamengo Tower Empresarial – Torre 2	Orla	ECAD – Direitos Autorais	649	Lease
Glória 122	Orla	OSF – Open Society Foundation	825	Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (sq.m)	PRICE/BRL sq.m
BMA Corporate	Zona Sul	Vinci Partners/Vinci Offices Fundo De Investimento Imobiliário	2,479.20	39,300,000
Alberto Monteiro	Centro	Grupo Monteiro Aranha/BSP Emp. Imob.	6,898	-
Torre 1º de Março	Centro	Grupo Monteiro Aranha/BSP Emp. Imob.	11,074	-
Monteiro Aranha	Orla	Grupo Monteiro Aranha/BSP Emp. Imob.	2,611.46	-

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