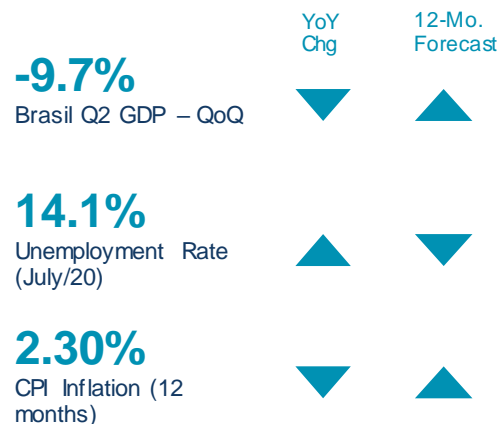


(CBD Class A)

ECONOMIC INDICATORS 2020



Source: LCA; Tesouro Direto

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.

Access the most recent information specific to COVID can be found [here](#).

DEMAND: Leasing Activity Upturns.

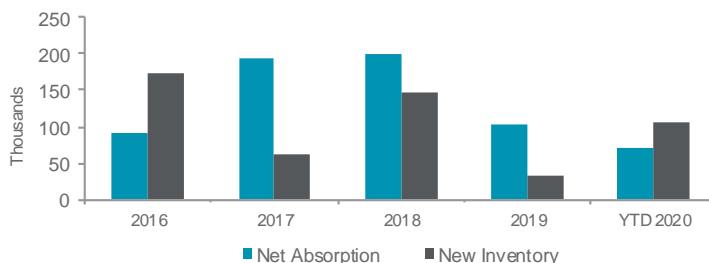
After a weak second quarter, São Paulo's CBD class A office Market recovered its strength in the current quarter. Despite June's negative net absorption, the following months presented expressive occupations which led the quarter's net absorption to 11.6 thousand sq.m, an increase of 128% compared to the previous quarter, indicating a considerable improvement in the market. Among the CBD regions, three of them had a positive highlight in the quarter. Marginal Pinheiros had the highest net absorption, from a health care company, with 25.3 thousand sq.m in one building alone. Chácara Santo Antônio also showed positive results, due to two large occupations in the same building – one of them from a company moving from a NCBD region – and closed the quarter with a net absorption of 7.6 thousand sq.m, the region's highest number of the year. Finally, Paulista registered a net absorption of 4.7 thousand sq.m, mostly associated with a financial institution occupation in a class A building at Paulista Avenue.

PRICING: Asking Rents are Increasing.

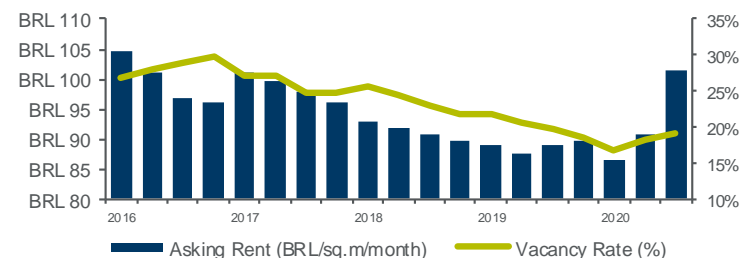
The asking rents followed last month's upward trend and reached an average of BRL 101.57/sq.m/month (+ BRL 10,72/sq.m/month QoQ), the highest value since 2017. This was mainly due to the delivery of Birmann 32, a building with a high asking rent in Faria Lima, a region that remains the most expensive in the city, with an average asking rent of BRL 189.78/sq.m/month. Another factor that contributed to the price increase in CBD regions were occupations in buildings with lower asking rents, making the space available in the city to be concentrated in regions and buildings with higher asking rents.

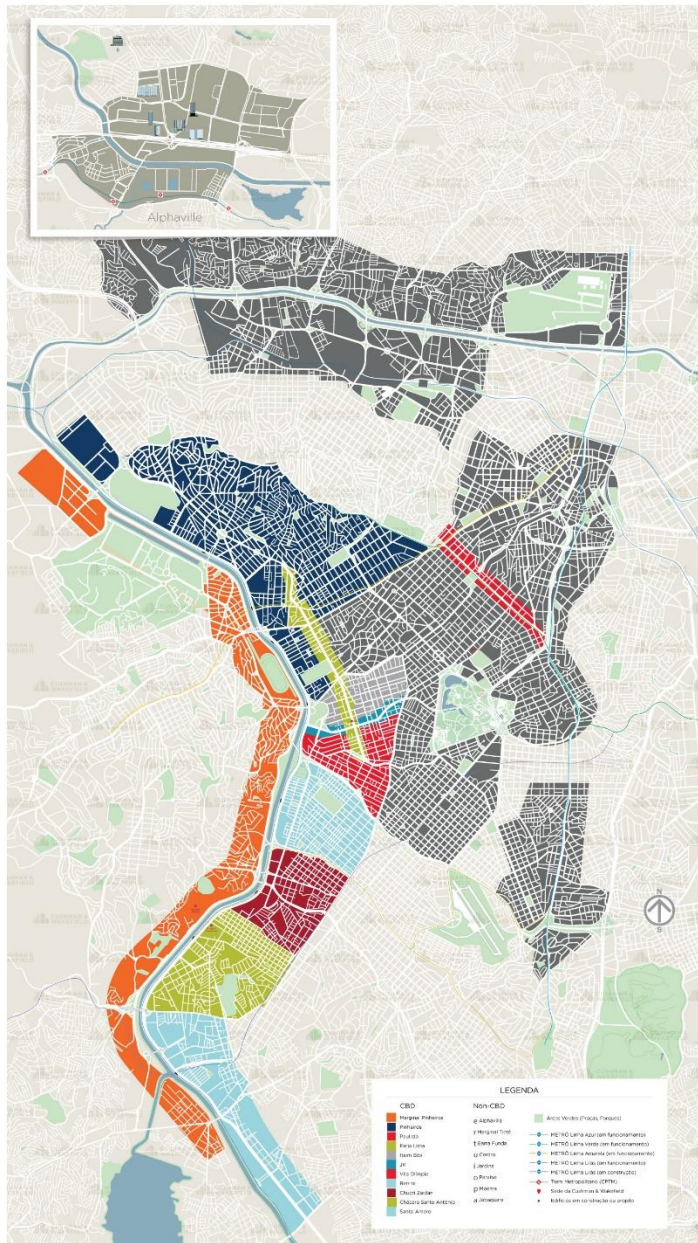
The Pinheiros' region was an example of that: with a quarterly absorption of 3.7 thousand sq.m, mostly related to leases in less expensive buildings, its average at the end of the quarter was BRL 105.25/sq.m/month (+ BRL 8.17/sq.m/month QoQ), the region's highest value in the last five years. Going to the opposite direction, Marginal Pinheiros recorded a decrease of BRL 11.74/sq.m/month in the average asking rent due to occupations in more expensive buildings.

NET ABSORPTION/ DELIVERIES – CBD A



ASKING RENT / VACANCY – CBD A





Market Overview

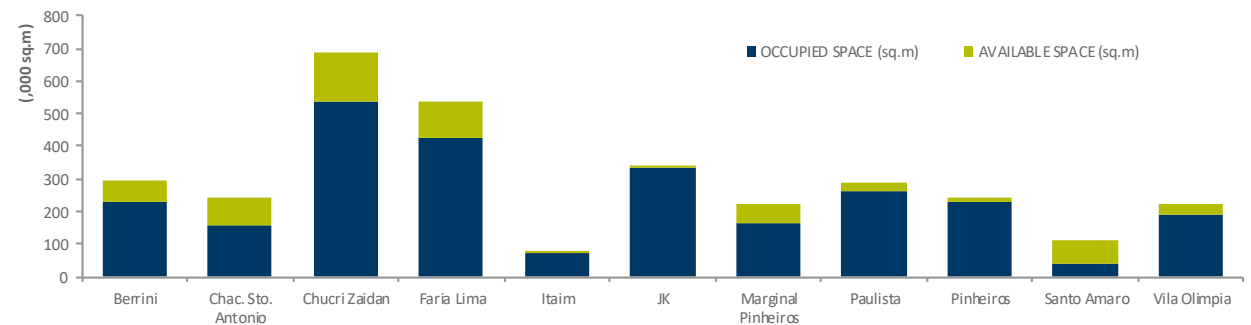
The third quarter of 2020 showed signs of recovery in real estate market activity. With several companies returning to offices after a long period of working from home, large pre-lease signings, and the technology and e-commerce sectors looking for more spaces in the city, the São Paulo market has shown resilience. Although there was a small increase in the vacancy rate (+0.9p.p. QoQ), this was mainly due to the delivery of 50.7 thousand sq.m of Birmann 32 building – not yet occupied – which significantly increased the volume of available area.

The regions with the greatest decreases in the vacancy rate were Marginal Pinheiros (-11.2p.p. QoQ) and Chácara Santo Antonio (-3.2p.p. QoQ), both reaching their best results in recent years, indicating a greater demand for regions with lower prices. In addition, other regions have shown higher increases in vacancy rates such as Faria Lima (+8.4p.p. QoQ) and Berrini (+5.0p.p. QoQ), this occurred as a result of new completion and some departures that were already planned, which should be compensated with new occupations in the next months.

Pipeline

With the delivery of Birmann 32 in the Faria Lima region, the city of São Paulo had a total of 106.1 thousand sq.m of new inventory delivered in 2020 and another 24.4 thousand sq.m is expected to be delivered by the end of the year. Even with some construction delays – associated with the COVID-19 pandemic – the current year should present a good amount of new constructions. Additionally, large constructions such as Parque da Cidade Corporate (120.5 thousand sq.m) and Faria Lima Plaza (40 thousand sq.m) should be delivered in the first half of 2021, boosting deliveries next year.

SUBMARKET COMPARISON

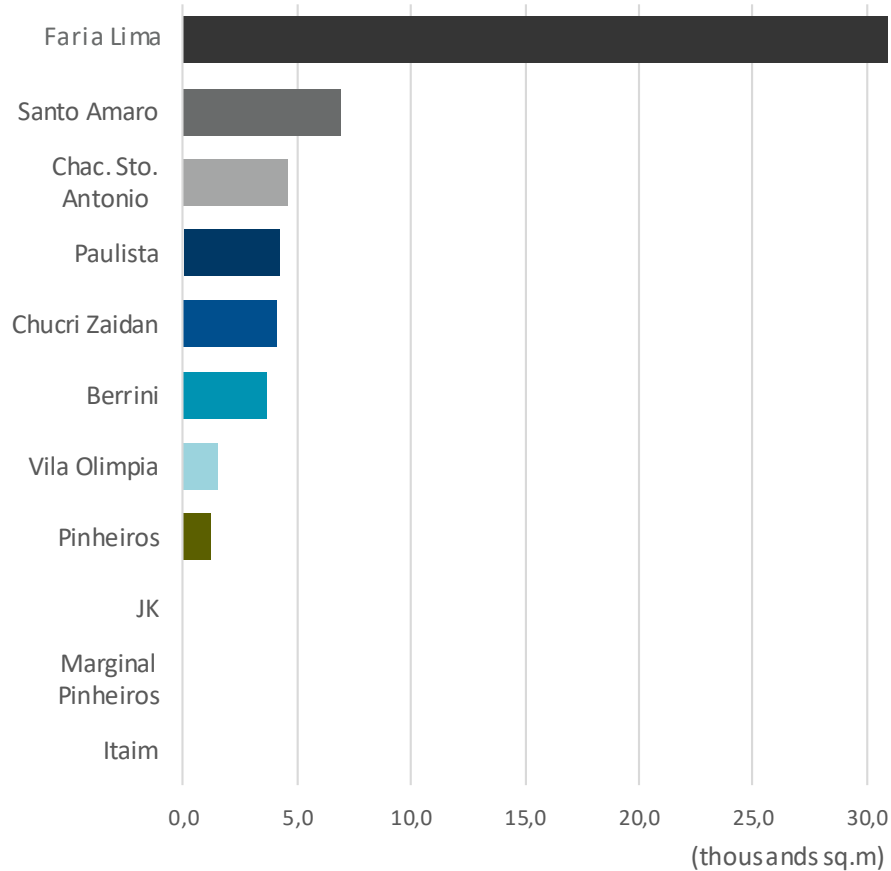


REGIONS

- | | | |
|----------------------|----------------|---------------------|
| ● Marginal Pinheiros | ● Itaim Bibi | ● Churri Zaidan |
| ● Pinheiros | ● JK | ● Chác. Sto Antônio |
| ● Paulista | ● Vila Olímpia | ● Santo Amaro |
| ● Faria Lima | ● Berrini | |

*The vacancy rate calculated and established by Cushman & Wakefield, which takes into account the effective occupation, is at 19.1%. While the commercial vacancy rate considering tracked leases in São Paulo CBD class A closed out the third quarter at 16.0%.

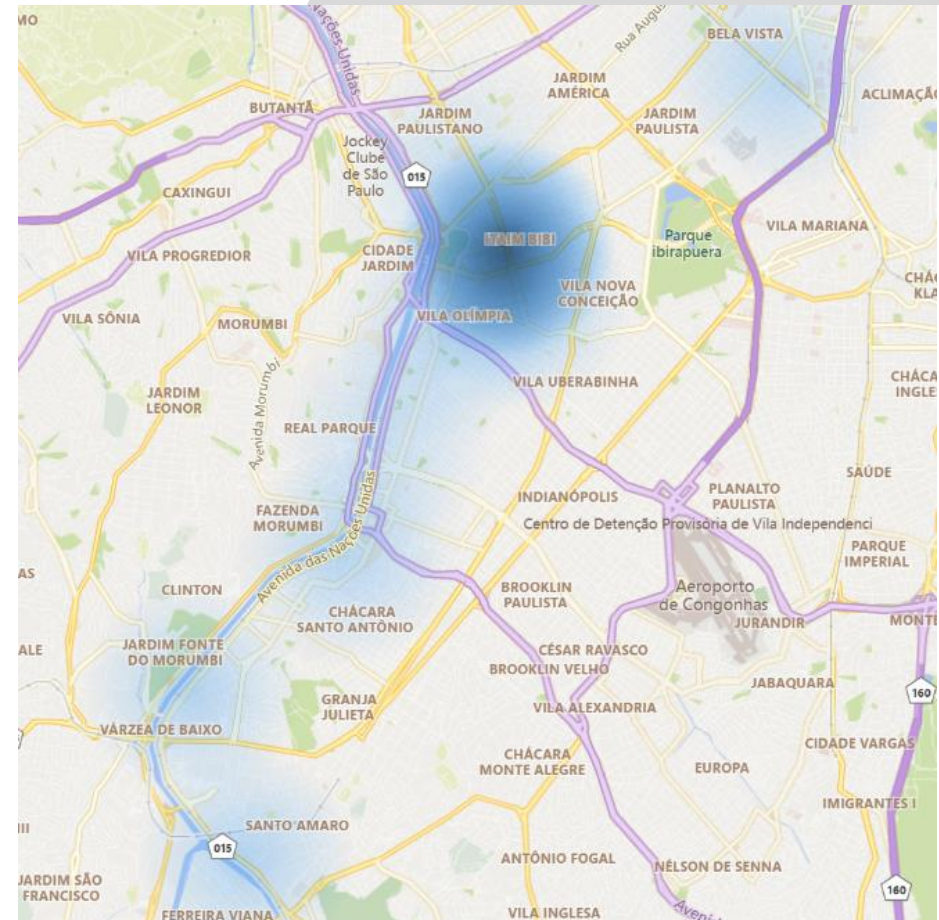
Leasing Activity – 2020Q3



The chart above shows the concentration of transactions in São Paulo’s CBD regions. Faria Lima stands out with a volume of 30.9 thousand sq.m leased, 85% of which was technology and e-commerce companies.

The technology market also showed presence in the Santo Amaro’s region, which presented an impressive lease of 7 thousand sq.m by another technology company.

Heat Map - 2020Q3



The heat map is based on the number of transactions throughout the third quarter of 2020.

The Faria Lima’s region is highlighted due to high leasing activity in Faria Lima Avenue, near Itaim Bibi, a location with high demand in the city. Santo Amaro, Chácara Santo Antonio and Paulista also had a good performance in terms of leases during this quarter.

Office Q3 2020

MARKET STATISTICS

SUBMARKET	NUMBER OF BUILDINGS	INVENTORY (SQ.M)	AVAILABLE SPACE (SQ.M)	VACANCY RATE (%)	CURRENT QTR NET ABSORPTION (SQ.M)	CURRENT QTR GROSS ABSORPTION (SQ.M)	LEASING ACTIVITY (SQ.M)	UNDER CONSTRUCTION (SQ.M)	AVG ASKING RENT (ALL CLASSES)	AVG ASKING RENT (CLASS A)
Berrini	10	298,473	68,254	22.9%	-14,898	1,642	3,642	16,495	BRL 74.52	BRL 93.91
Chac. Sto. Antonio	18	239,775	84,865	35.4%	7,588	12,156	4,635	30,000	BRL 56.88	BRL 63.98
Chucru Zaidan	25	685,128	147,194	21.5%	-3,867	12,578	4,105	224,673	BRL 85.31	BRL 96.67
Faria Lima	29	538,802	111,663	20.7%	-1,000	1,065	30,917	40,000	BRL 170.71	BRL 189.78
Itaim	4	71,927	968	1.3%	0	0	0	0	BRL 67.49	BRL 150.00
JK	12	340,697	4,053	1.2%	-471	852	0	0	BRL 94.01	BRL 129.64
Marginal Pinheiros	21	225,363	61,869	27.5%	25,321	25,812	0	36,777	BRL 50.02	BRL 58.58
Paulista	17	286,435	22,806	8.0%	4,708	7,247	4,243	24,454	BRL 82.35	BRL 130.85
Pinheiros	17	244,514	15,745	6.4%	3,717	4,952	1,235	6,000	BRL 68.00	BRL 105.25
Santo Amaro	8	114,455	73,309	64.1%	-4,763	0	6,971	0	BRL 40.40	BRL 45.71
Vila Olímpia	16	222,685	33,187	14.9%	-4,762	1,653	1,506	8,400	BRL 81.85	BRL 115.50
São Paulo CBD AA+	177	3,217,593	623,912	19.1%	11,573	67,956	57,255	386,799	BRL 79.02	BRL 101.57

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	AREA (SQ.M)
Nações Unidas Corporate	Santo Amaro	Kovi Tecnologia	6,971
17007 Nações – Torre Sigma	Chac. Sto. Antonio	TIM	4,402
Birmann 32	Faria Lima	Shopee Brasil	4,164
Santa Catarina	Paulista	Hospital Santa Catarina	3,137
WTorre Morumbi – Ala B	Chucru Zaidan	Adyen	2,305

*Renewals not included in leasing statistics.

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQ.M)	PRICE/BRL/SQ.M
Faria Lima 4440 - Acqua	Faria Lima	FII VBI Prime Properties / FII VBI FL 4440	11,056	BRL 30,796.34
Edifício Morumbi	Chucru Zaidan	Brookfield / RB Capital Office Income FII	10,050	BRL 10,447.45
Corporate Park	JK	Aquarius Empreendimentos e Participações / Arbros Empreendimentos Imobiliários	1,334	BRL 27,436.28

KEY CONSTRUCTION COMPLETIONS 2020

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ.M)	OWNER/ DEVELOPER
Seculum II	Faria Lima	Machado Meyer	11,847	Davilar Projetos e Empreendimentos
RiverView Corporate Tower	Chucru Zaidan	-	43,632	Hines
Birmann 32	Faria Lima	Facebook	50,661	FLPP – Faria Lima Prime Properties

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