

	YoY Chg	12-Mo. Forecast
<b>33.0%</b> Vacancy Rate	▼	▼
<b>6.0K</b> Net Absorption (sq.m)	▼	▲
<b>BRL 91.27</b> Asking Rent (BRL/sq.m)	▼	▼

(CBD Class A)

**ECONOMIC INDICATORS 2020**

	YoY Chg	12-Mo. Forecast
<b>10.3%</b> Q3 GDP (QoQ)	▲	▼
<b>14.6%</b> Unemployment Rate (Sep/20)	▲	▼
<b>4.52%</b> CPI Inflation (12 months)	▲	▼

Source: LCA; World Government Bonds

**ECONOMIC SCENARIO**

The expansionary fiscal and monetary policies adopted in 2020 helped to minimize the social and economic crisis during the year. However, Brazil has a high debt which limits social aid. Thus, mismanagement of the public spending tends to hurt the country in long run. Despite of the Consumer Confidence Index presenting a small drop in November, in comparison to October, the formal jobs balance registered a record level, with an increase of 414,500 jobs in November. Therefore, the economy followed the recovery trend in the last quarter with an expected GDP for 2020 at -4.26%. On the other hand, driven mainly by pressure from food and fuel prices, the inflation rate accelerated again in the last quarter and IPCA closed 2020 above the target of 4%, at 4.52% Finally, the cautious speech regarding the Selic interest rate remained, standing at its current lowest record level of 2.0%, stimulated economic activity. In conclusion, the second semester of the year eased the impacts of the pandemic, so that economic recovery in 2021 will depend on the fiscal balance and the distribution of Covid-19 vaccination, in a scenario where reforms and privatizations planned by the government could help the economy. Access the most recent information specific to COVID [here](#).

**DEMAND: Encouraging Results**

Rio de Janeiro's class A CBD market closed out the last quarter of the year with a positive net absorption of 6,029 sq.m, mainly from favorable results in October and November. In December, the Centro region was responsible for the slight negative net absorption, but it didn't impact Q4, which showed positive values in October and November. It is still the most attractive and bustling region, with the largest number of leases, occupations and departures during the whole year. With the social distancing measures maintained by the government, some occupations continued to be postponed. Despite that, Rio de Janeiro managed to end the year totaling a positive net absorption of more than 13,000 sq.m, showing signs of recovery in the city. It is expected that as the vacancy rate continues in a downward trend, there will be more leasing.

**PRICING: Asking Rents are Decreasing**

Since the first quarter of 2018, Rio de Janeiro has seen a drop in its average asking price due to the high vacancy rate and the flight to quality/flight to price movement. With that being said, tenants have a favorable situation, with bargaining power and the opportunity to move to the best buildings and regions of the city. The Class A CBD market closed out the year with an average asking rent of BRL 91.27 per sq.m/month, a drop of 1.58% (QoQ) and 3.78% (YoY). With the high vacancy rate in the city, the lack of new deliveries and renovation projects, asking prices struggle to increase, and it does not exceed BRL 98.83 per sq.m/month since January 2019.

**SPACE DEMAND / DELIVERIES – CBD A**



**ASKING RENT / VACANCY– CBD A**



# RIO DE JANEIRO

Office Q4 2020

## Market Overview

Rio de Janeiro's class A CBD market records more than 75,000 sq.m of leased area that may be occupied in the short term. As a result, it shows a positive trend in the city's corporate market in addition to the positive net absorption in the last quarter of 2020 of 6,029 sq.m. With the COVID-19 pandemic that the country is going through, many companies started to work from home aiming to reduce the contamination. This fact resulted in the paralysis of fixed workplaces and postponed part of the occupations planned for the year. Besides that, the vacancy rate dropped 0.39 p.p. (QoQ) and 0.85 p.p. (YoY), closing out 2020 with 33.0%.

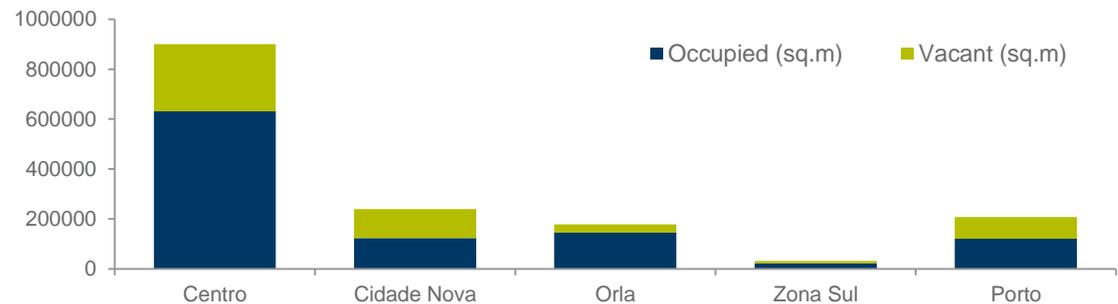
Given that Centro is the most attractive region of the city, the demand for corporate spaces is greater, once there is a wide variety of buildings and prices. However, as the region has a large inventory, the vacancy rate remains in high levels, reaching almost 30%. With the revitalization process in Porto and the attraction of new tenants, it is expected that the region receives more companies of different segments, as well as new projects for the coming years.

While Centro contributed for 4,800 sq.m of the positive net absorption of the quarter, mainly from energy, transport, oil & gas companies, Porto and Zona Sul together registered 1,229 sq.m. The majority of departures in 2020Q4 came from real estate, finance, oil & gas, and energy companies.

## Pipeline

Rio de Janeiro's city still presents a lack of new inventories since the last delivery in 2018, which occurred in class B buildings at Barra da Tijuca and Zona Sul regions, totalizing over 12,000 sq.m. Yet, once the vacancy rate is still in high levels, many projects had their constructions stalled.

### SUBMARKET COMPARISON



### SUBMARKETS

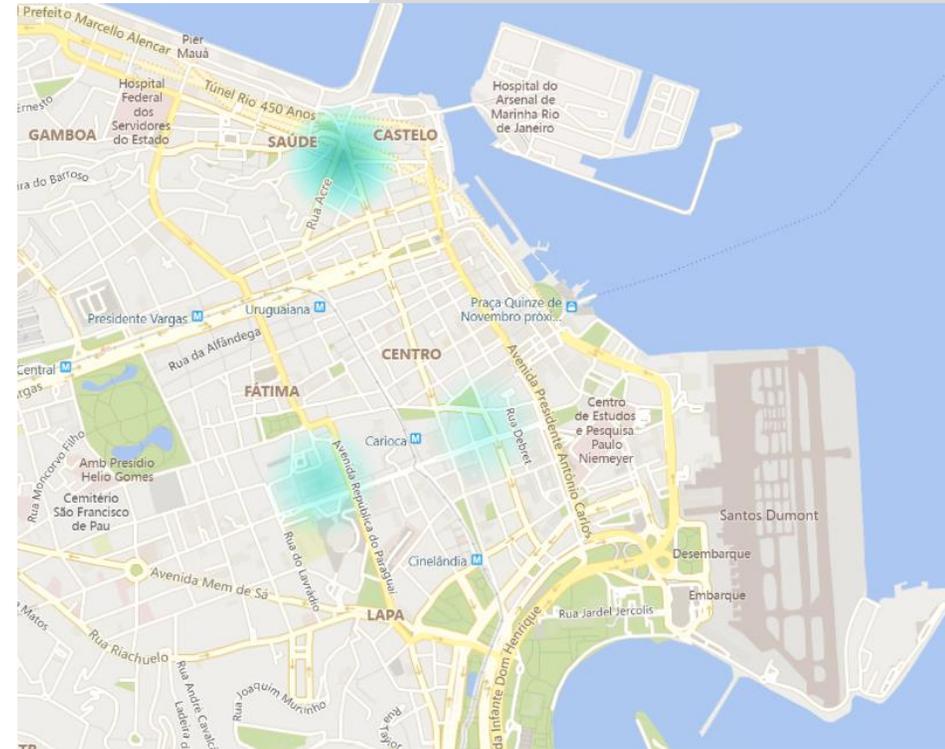
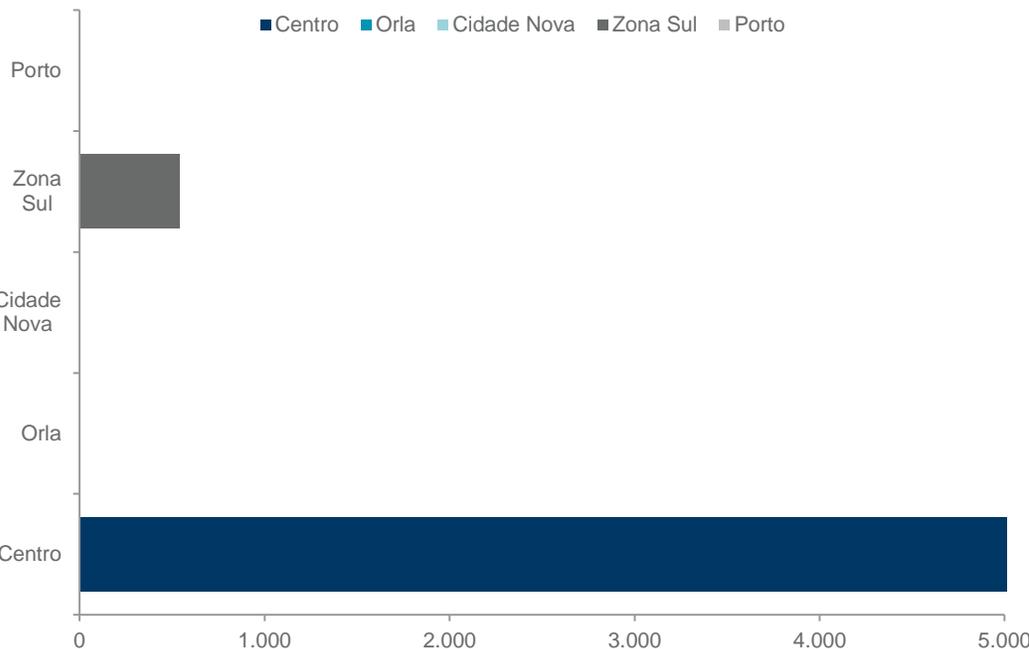


\*The vacancy rate calculated and established by Cushman & Wakefield, which takes into account the effective occupation is at 33.0%. While the commercial vacancy rate considering tracked leases in Rio De Janeiro CBD classes A and A+ closed out the third quarter at 28.24%.



## Leasing Activity - 2020Q4

## Heat Map - 2020Q4



Centro, one of the most attractive regions of the city, continues presenting the highest number of leases in Rio. By the end of the last quarter of 2020, it registered a total of 6,360 sq.m leased between finance, insurance, and transport companies. Along with Zona Sul, this number reached at 6,899 sq.m. Despite the lack of new leases in Orla, Porto and Cidade Nova, 2020Q4 presented positive results in view of the economic situation that the country is going through, even though it was not as active as it was in previous quarters.

The heat map records the number of leases that occurred during 2020Q4. Once again, with a highlight in Centro, the region presented leases in Cinelândia (5,123 sq.m) and Castelo (1,237 sq.m). Zona Sul had a lease of about 500 sq.m in a building at Lagoa region. Once these companies start their occupation in the short term, a reduction in the vacancy rate of the city may be observed.

## 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	268,684	29.84%	4,800	5,588	6,360	-	BRL 65.6	BRL 95.2
Cidade Nova	7	239,817	116,808	48.71%	-	-	-	-	BRL 68.9	BRL 70.0
Orla	12	177,567	32,317	18.20%	-	-	-	-	BRL 86.8	BRL 103.2
Zona Sul	5	31,506	8,504	26.99%	-539	-	539	-	BRL 127.7	BRL 194.2
Porto	8	207,770	87,544	42.13%	1,768	1,768	-	-	BRL 75.7	BRL 93.3
Barra da Tijuca	30	192,866	60,621	31.43%	-3,381	3,569	5,335	-	BRL 49.2	BRL 79.7
<b>TOTAL CBD A</b>	<b>68</b>	<b>1,556,934</b>	<b>513,856</b>	<b>33.0%</b>	<b>6,029</b>	<b>7,356</b>	<b>6,899</b>	<b>-</b>	<b>BRL 69.7</b>	<b>BRL 91.3</b>

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	AREA (sq.m)	TYPE
Torre Almirante	Centro	Investsmart Agentes Autônomos De Investimento LTDA	1,237	Lease
Porto Brasilis	Centro	Petros – Fundação Petrobrás de Seguridade Social	2,065	Lease
Porto Brasilis	Centro	Transpetro	1,250	Lease
Ventura Corporate Towers - Torre Leste	Centro	Tag (ENGIE Group)	1,808	Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (sq.m)	PRICE/BRL sq.m
Torre Vargas 914	Porto	FII PRESIDENTE VARGAS / Assim Saúde	5,983	42,000,000
SLB Globo	Zona Sul	GLOBO COMUNICAÇÃO E PARTICIPAÇÕES S.A / ALIANZA TRUST RENDA IMOBILIÁRIA - FUNDO DE INVESTIMENTO IMOBILIÁRIO	3,879	37,500,000

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