

	YoY Chg	12-Mo. Forecast
19.6% Vacancy Rate	▲	▼
5.9k Net Absorption (sq.m)	▼	▲
BRL 103.52 Asking Rent (sq.m/month)	▲	▼

(CBD Class A)

ECONOMIC INDICATORS 2020

	YoY Chg	12-Mo. Forecast
10.3% Brasil Q3 GDP – QoQ	▲	▼
14.6% Unemployment Rate (Sep/20)	▲	▼
4.52% 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 to the most recent information specific to COVID can be found [here](#).

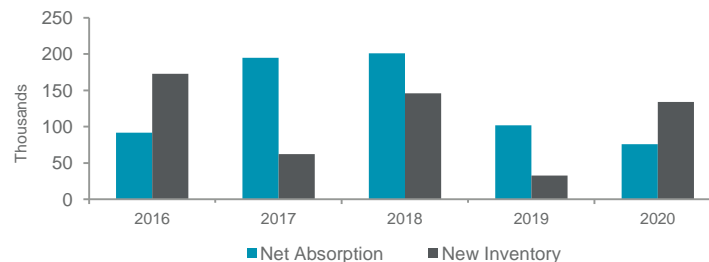
DEMAND: Leasing Activity Upturns.

In the last quarter of 2020, São Paulo’s CBD class A office market presented a net absorption of 5.860 sq.m, due to a decreased occupancy. Even so, it is important to highlight that absorption remained positive during the current uncertain economic environment, with most of the occupations occurring in the last month of the year. One of the main regions responsible for the quarter’s positive net absorption was Berrini, which alone registered a net absorption of 13.924 sq.m, with an expressive occupation of over 16 thousand sq.m in a single building. The Santo Amaro region also had a single tenant tech company occupy a large space in one building alone and was the region with the second highest net absorption, registering 6.971 sq.m for the quarter. In addition, the Churci Zaidan region also presented good results, with a net absorption of 6.613 sq.m.

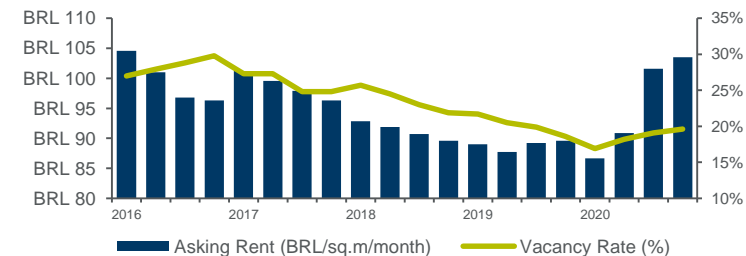
PRICING: Asking Rents are Increasing.

The average asking rent for São Paulo’s CBD class A buildings followed the upward trend seen throughout the year and reached BRL 103.52/sq.m/month (+ BRL 1.95/sq.m/month QoQ), the highest value since 2016, making it a good environment for both owners and landlords. This was due to the delivery of a building in the Paulista region, which entered the city’s inventory with asking rents above average, as well as departures in buildings with higher asking rents. The most expensive region in the city remains Faria Lima, with an average asking rent of BRL 191.43/sq.m/month, followed by Itaim and JK regions, with asking rents of BRL 150/sq.m/month and BRL 134.35/sq.m/month, respectively. Marginal Pinheiros was the region that showed the highest price increase, reaching BRL 69.06/sq.m/month (+ BRL 10.48/sq.m/month QoQ) at the end of the year, due to a significant departure in a building with asking rent around BRL 120.00.

NET ABSORPTION/ DELIVERIES – CBD A

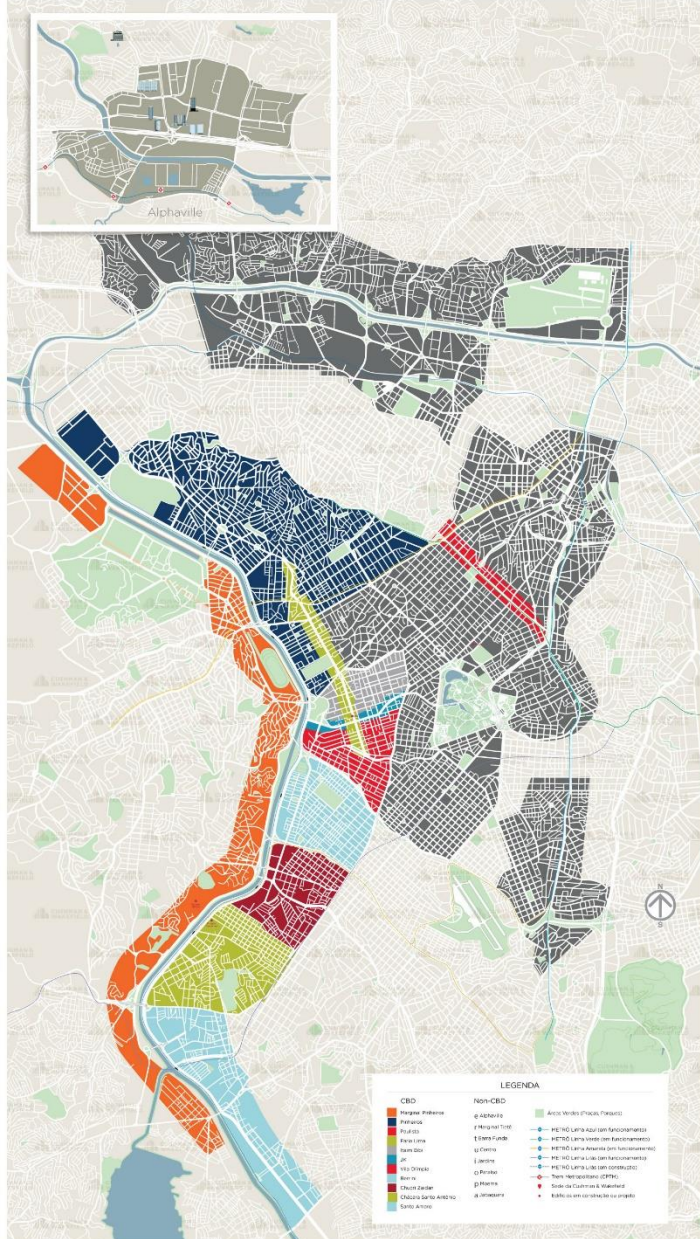


ASKING RENT / VACANCY – CBD A



SÃO PAULO

Office Q4 2020



Market Overview

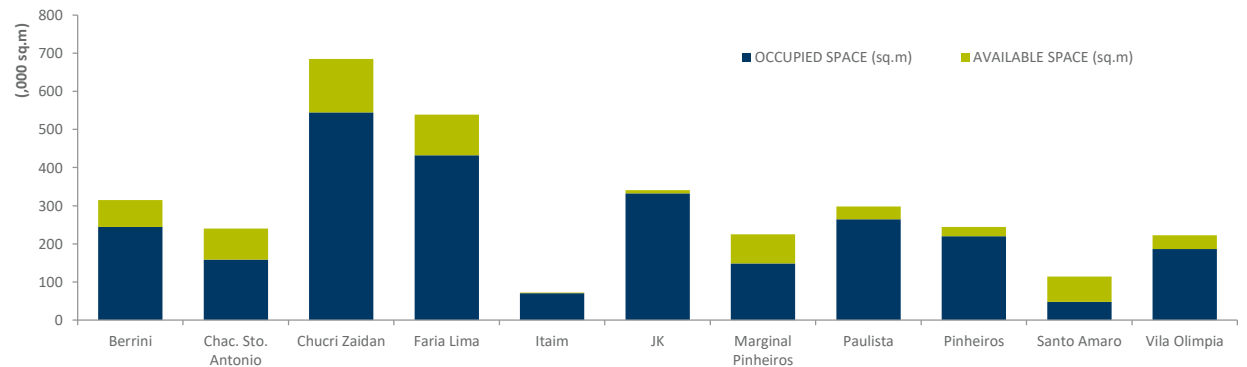
São Paulo’s CBD class A office Market went through a period of stagnation in the last three months of 2020. Although there were some departures, the occupations and the new inventory delivery fully occupied kept the net absorption positive. With the delivery of 28.000 sq.m – consisting of one building in the Paulista region and another in Berrini – the vacancy rate increased by 0.5 p.p. compared to the previous quarter and reached 19.6%. Despite this, there were still new leases in the city, which should turn into occupations in the next few months.

Chacara Santo Antonio was the region with the best performance in the vacancy rate. With the largest decrease of the period (- 1.7 p.p. QoQ), the region reached 33.7%, its lowest index since 2017. Chucru Zaidan’s region recorded the second largest drop of the period and presented a vacancy rate of 20.5% (1.0 p.p. QoQ). The regions that finished the year with the lowest vacancies in the city were Itaim and JK, at 2.3% and 2.5%, respectively.

Pipeline

In 2020, there were 134.149 sq.m of new inventory deliveries in São Paulo, in Faria Lima, Chucru Zaidan, Berrini and Paulista regions. Due to construction delays, a few building completions were postponed until 2021, but it was still a good result for the year; indicating that the market remains resilient. Thus, it is expected more than 200 thousand sq.m to be delivered next year, with 134.922 sq.m only in the first quarter.

SUBMARKET COMPARISON

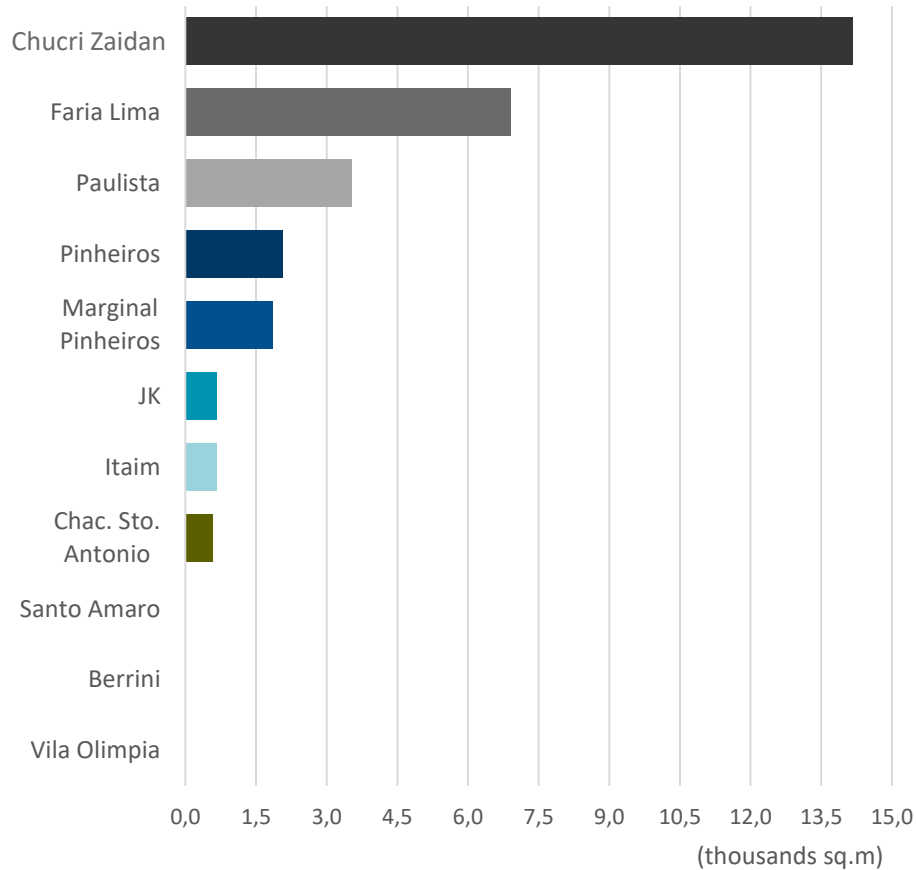


REGIONS

- CBD**
- Marginal Pinheiros
 - Itaim Bibi
 - Chucru Zaidan
 - Pinheiros
 - JK
 - Chác. Sto Antônio
 - Paulista
 - Vila Olímpia
 - Santo Amaro
 - Faria Lima
 - Berrini

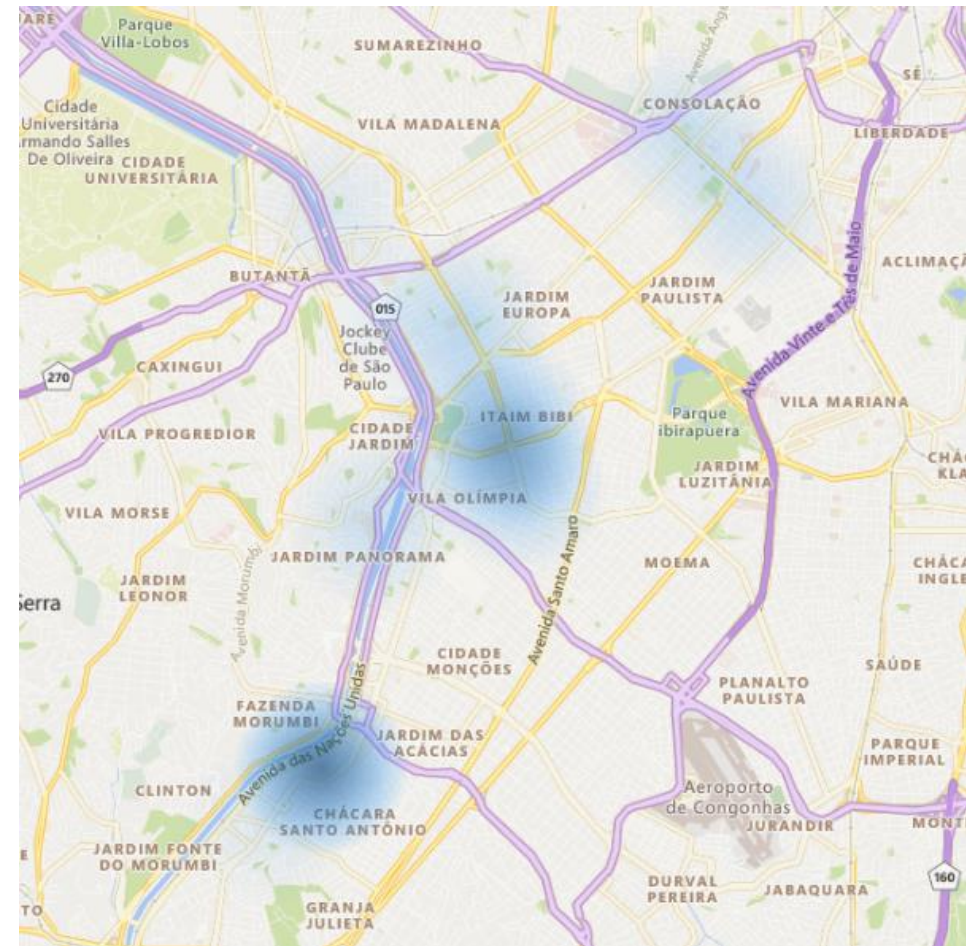
*The vacancy rate calculated and established by Cushman & Wakefield, which takes into account the effective occupation, is at 19.6%. While the commercial vacancy rate considering tracked leases in São Paulo CBD class A closed out the third quarter at 17.1%.

Leasing Activity – 2020Q4



The chart above shows the concentration of leasing transactions in São Paulo’s CBD regions. It is possible to notice that the region that stood out the most was Chucrí Zaidan, with a total of 14.174 sq.m leased at the end of 2020, in a single building by a multinational company moving from a Non-CBD region. Right after comes Faria Lima region, with 6.905 sq.m leased and the Paulista region with 3.526 sq.m leased.

Heat Map - 2020Q4



The heat map is based on the number and size of leasing transactions throughout the fourth and last quarter of 2020.

Nações Unidas Avenue is highlighted due to the expressive transaction of 14.174 sq.m in Chucrí Zaidan region, as mentioned earlier. In addition, there was a lot of activity in the Faria Lima Avenue area, due to some small but numerous leases in that region.

Office Q4 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	11	314,968	70,825	22.5%	13,924	18,152	0	0	BRL 74.96	BRL 95.69
Chac. Sto. Antonio	18	239,775	80,851	33.7%	4,014	5,600	582	30,000	BRL 57.56	BRL 65.09
Chucrí Zaidan	25	685,128	140,581	20.5%	6,613	8,542	14,174	230,747	BRL 85.71	BRL 97.29
Faria Lima	29	538,802	106,768	19.8%	4,895	6,256	6,905	40,900	BRL 168.22	BRL 191.43
Itaim	4	71,927	1,645	2.3%	-677	0	677	0	BRL 69.07	BRL 150.00
JK	12	340,697	8,363	2.5%	-4,310	873	678	0	BRL 107.17	BRL 134.35
Marginal Pinheiros	21	225,363	76,421	33.9%	-14,552	0	1,853	35,106	BRL 53.98	BRL 69.06
Paulista	18	297,949	33,543	11.3%	777	5,098	3,526	13,395	BRL 83.86	BRL 125.49
Pinheiros	17	244,514	24,523	10.0%	-8,778	2,594	2,063	6,000	BRL 74.57	BRL 112.75
Santo Amaro	8	114,455	66,338	58.0%	6,971	6,971	0	0	BRL 38.77	BRL 44.21
Vila Olímpia	16	222,685	36,204	16.3%	-3,017	1,122	0	8,400	BRL 82.60	BRL 116.27
São Paulo CBD AA+	179	3,296,263	646,061	19.6%	5,860	55,208	30,458	364,548	BRL 79.72	BRL 103.52

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	AREA (SQ.M)
Parque da Cidade Corporate – Torre Aroeira	Chucrí Zaidan	Enel Brasil	14,174
Cid. Jardim Corp. Center – Continental Tower	Marginal Pinheiros	Hypera Pharma	1,853
Grand Station	Pinheiros	Vórtx	1,077

*Renewals not included in leasing statistics.

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQ.M)	PRICE/BRL/SQ.M
WTorre Morumbi - Torre A e B	Chucrí Zaidan	Fundo de Investimento Imobiliário TM – FII / Santander Renda de Aluguéis FII	35,112	BRL 12,426.37
River One	Marginal Pinheiros	Tellus / BRL Trust	23,625	BRL 17,777.78
WTorre Morumbi - Torre A e B	Chucrí Zaidan	Fundo de Investimento Imobiliário TM – FII / Hedge Investment	11,704	BRL 22,256.07

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	Chucrí Zaidan	-	43,632	Hines
Birmann 32	Faria Lima	Facebook	50,661	FLPP – Faria Lima Prime Properties
Centenário – Berrini	Berrini	WeWork	16,495	BR Properties
Safra Frei Caneca	Paulista	-	11,514	Grupo Safra

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