

	YoY Chg	12-Mo. Forecast
36.5% Vacancy Rate	▲	▲
-25.2K Net Absorption (sq.m)	▼	▼
BRL 92.25 Asking Rent (BRL/sq.m)	▼	▼

(CBD Class A)

ECONOMIC INDICATORS 2021

	YoY Chg	12-Mo. Forecast
3.2% 2020Q4 GDP (QoQ)	▲	▼
14.2% Unemployment Rate (Jan/21)	▲	▲
5.2% CPI Inflation (12 months)	▲	▲

Source: LCA; World Government Bonds

ECONOMIC SCENARIO

In the first quarter of 2021, the Covid-19 pandemic has worsened, as Brazil reached a world record in the number of deaths by the disease per day. Consequently, restrictive measures were taken, and the economy closed again across the country. As a result, the Consumer Confidence Index dropped -12.28% in comparison to the previous quarter, closing March at 70.7. However, the balance of formal jobs showed positive results, with an increase of 661,992 in the first two months of the year. In turn, after slowing 0.25% in January, inflation accelerated 0.86% in February, reaching 5.2% YTD.

In the last “Copom” released in March, the Central Bank of Brazil adopted a contractionary monetary policy by raising the Selic Rate by 75 basis points to 2.75%. This was higher than the 50 basis point increase economists had forecasted. This decision was mainly due to keep inflation within the target margin. After all, the Brazilian historical context indicates the importance of containing the price index, considering that its increase also rises its expectations.

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

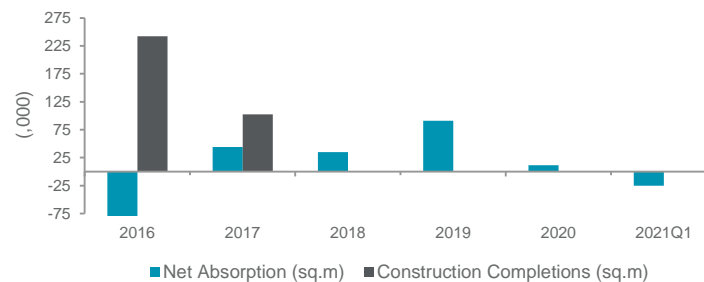
DEMAND: Absorptions Diminishing

Rio de Janeiro’s class A CBD market closed out 2021Q1 with a negative net absorption of 25,253 sq.m, after a lot of departures in January, February and March, mainly due to the COVID-19 pandemic that is even worse than it was the past trimester. Orla was primarily responsible for this result, with a total net absorption of -13,510 sq.m due to the departure of a technology company in two buildings in the region. Centro, one of the most attractive and bustling regions, still has a high number of leases in the city, reaching at, together with Orla and Zona Sul, 21,664 sq.m by the end of the first quarter of the year. On the other hand, since the government maintained and reinforced the social distancing measures, tenant occupations remain delayed. With that being said, it is believed that the vacancy rates will remain high until signs of recovery in are shown.

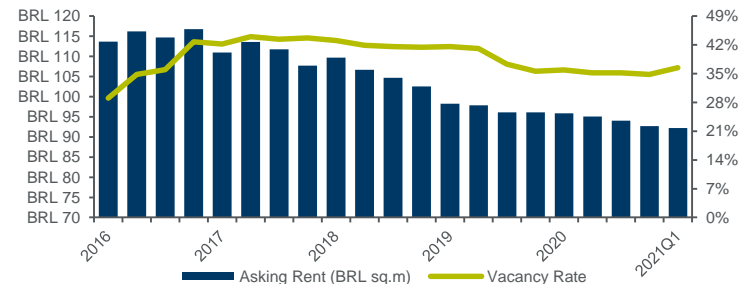
PRICING: Asking Rents are Decreasing

Since the first quarter of 2018, Rio de Janeiro has seen a consecutive 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 now have bargaining power and are able to move to the best regions and buildings in the city. The Class A CBD market closed out 2021Q1 with an average asking rent of BRL 92.25 per sq.m/month, a drop of 0.46% (QoQ) and 3.79% (YoY). Rental prices struggle to increase in high vacancy level environments and on top of that there is a lack of new inventory and renovation projects. Rio de Janeiro reached at BRL 99.65 per sq.m/month in January 2019 and since then could not exceed this value.

SPACE DEMAND / DELIVERIES – CBD A



ASKING RENT / VACANCY– CBD A



Market Overview

Rio de Janeiro's class A CBD market holds more than 90,000 sq.m of leased area that may be occupied in the medium-to-long term due to COVID-19. As a result, a delay is expected for the corporative market recovery in both the city and the the country of which are facing departures by tenants, who are adopting a home-office model of work aiming to reduce contamination. As a result, most occupations were postponed, triggering a 1.63 p.p. (QoQ) and 0.58 p.p. (YoY), increase in the vacancy rate and reaching at 36.5% in March 2021.

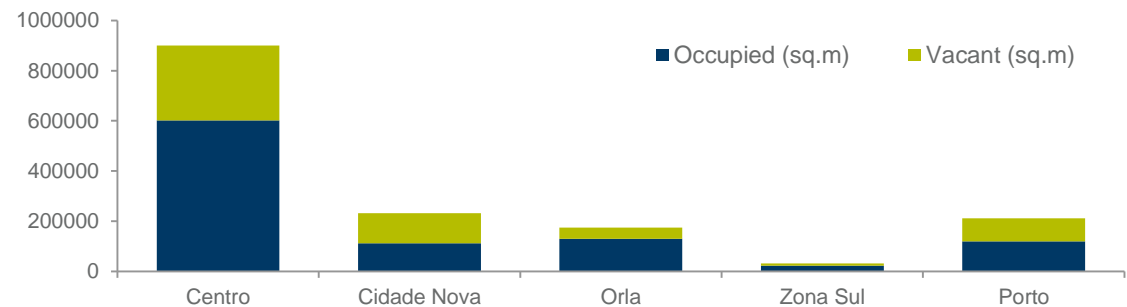
Centro is one of the most attractive regions of the city, so the demand for corporate spaces tends to be greater, as tenants have a wider range of options. However, this region has high vacancy levels, and reached at 33.2% by the end of 2021 first quarter.

On the other hand, Centro had a negative net absorption of 8,045 sq.m this quarter, mainly from transport, finance and insurance companies. Orla and Cidade Nova, together, were responsible for 17,208 sq.m of negative net absorption with highlights for oil & gas, information and communication technologies and business services.

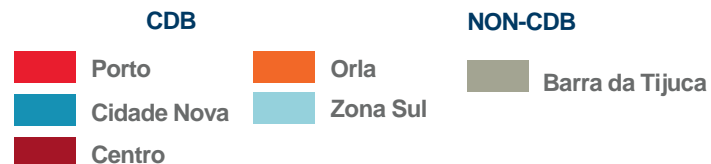
Pipeline

Due to Rio de Janeiro's high vacancy rate, many projects had to stop their construction. In 2018, the city had its last new deliveries in Barra da Tijuca and Zona Sul. Both regions totaled 12,000 sq.m in class B buildings. In class A projects, the last new addition was in the final quarter of 2017 in Porto, delivering more than 69,000 sq.m to the region.

SUBMARKET COMPARISON



SUBMARKETS



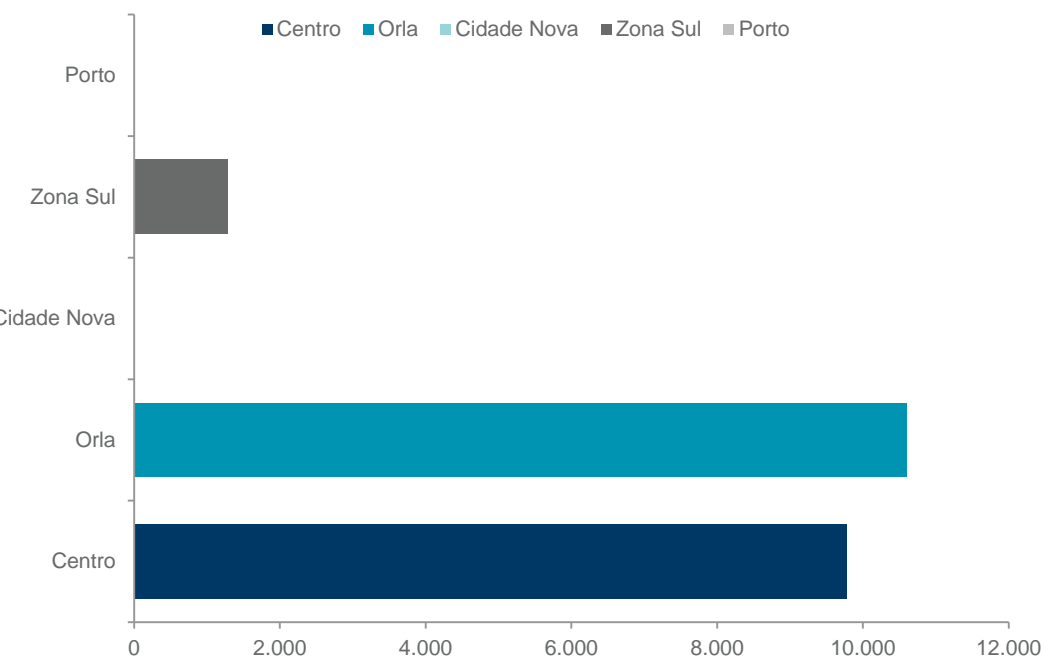
*The vacancy rate calculated and established by Cushman & Wakefield, which takes into account the effective occupation is at 36.5%. While the commercial vacancy rate considering tracked leases in Rio De Janeiro CBD classes A and A+ closed out the fourth quarter at 30.4%.



RIO DE JANEIRO

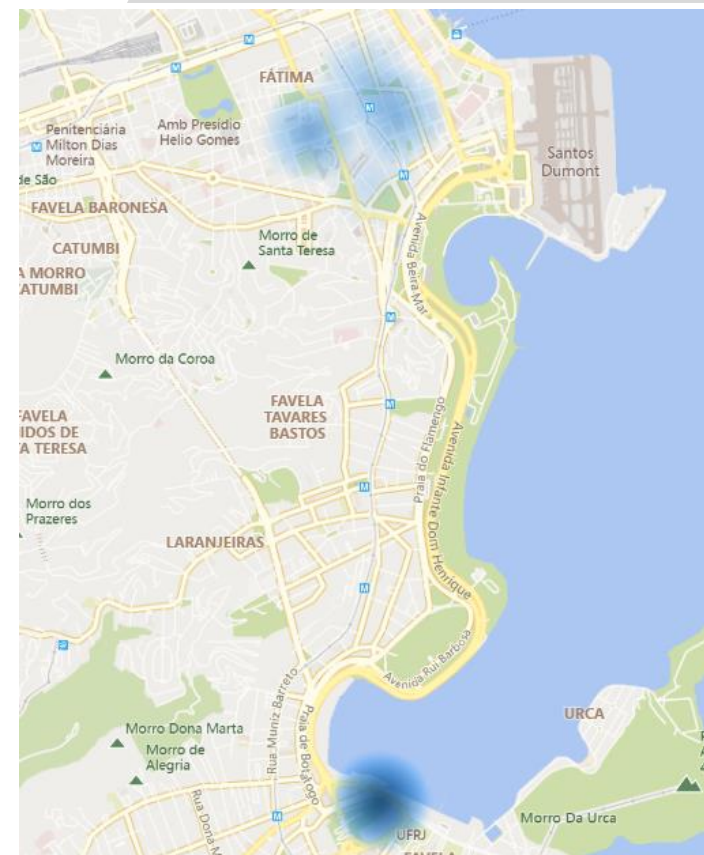
Office Q1 2021

Leasing Activity - 2021Q1



During the first quarter of 2021, Rio de Janeiro received 21,664 sq.m in leases, 9,781 sq.m of which were located in Centro, 10,600 sq.m in Orla and 1,283 sq.m in Zona Sul. Despite the country's current economic situation and the negative net absorption, it is expected that recent leases start to occupy in the medium and long term, aiming to reduce the vacancy rate of the city.

Heat Map - 2021Q1



The heat map records the number of leases that occurred during 2021Q1. Two regions stand out: Centro with Cinelândia (4,663 sq.m), Castelo (3,024 sq.m) and Microcentro RJ (2,094 sq.m) while Orla had a large lease of 10,600 in Botafogo by an important health sector company.

MARKET STATISTICS

SUBMARKET	NUMBER OF BUILDINGS	INVENTORY (SQ.M)	AVAILABLE 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 CONSTRUCTION (SQ.M)	DIRECT AVG ASKING RENT (MONTH) (ALL CLASSES)*	DIRECT AVG ASKING RENT (MONTH) (CLASS A)*
Centro	36	900,690	299,007	33.20%	-8,045	9,106	9,781	-	R\$ 67.5	R\$ 97.0
Cidade Nova	7	232,015	120,506	51.94%	-3,698	-	-	-	R\$ 67.9	R\$ 69.0
Orla	12	173,976	44,821	25.76%	-13,510	-	10,600	-	R\$ 85.9	R\$ 102.9
Zona Sul	5	30,745	8,292	26.97%	-	-	1,283	-	R\$ 134.3	R\$ 195.1
Porto	8	211,256	92,138	43.61%	-	-	-	-	R\$ 77.3	R\$ 94.3
Barra da Tijuca	30	194,388	74,151	38.15%	-10,722	-	1,548	-	R\$ 50.1	R\$ 76.9
TOTAL CBD A	68	1,548,683	564,763	36.5%	-25,253	9,106	21,664	-	R\$ 70.9	R\$ 92.2

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	AREA (sq.m)	TYPE
IMB – 146	Orla	Prevent Senior	5,300	Lease
IBM - RJ	Orla	Prevent Senior	5,300	Lease
City Tower - Citybank	Centro	Magazine Luiza	1,396	Lease
City Tower - Citybank	Centro	Flex Offices	698	Lease
Linneo de Paula Machado	Centro	Different Tenants	3,024	Lease
Lagoa Corporate	Zona Sul	Different Tenants	1,283	Lease
Ventura Corporate Towers - Torre Oeste	Centro	N/A	3,301	Lease
Ventura Corporate Towers - Torre Leste	Centro	N/A	568	Lease
Passeio Corporate - A	Centro	N/A	415	Lease
Passeio Corporate - B	Centro	N/A	379	Lease

*Renewals not included in leasing statistics

JADSON MENDES ANDRADEHead of Market Research & Business Intelligence
South Americajadson.andrade@sa.cushwake.com**BRUNO SUGUIMOTO**Coordinator of Market Research & Business Intelligence
South AmericaBruno.sugimoto@cushwake.comcushmanwakefield.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

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