

SÃO PAULO

Office Q1 2021

	YoY Chg	12-Mo. Forecast
23.6% Vacancy Rate	▲	▼
-18.1k Net Absorption	▼	▲
BRL 101.50 Asking Rent (sq.m/month)	▲	▼

(CBD Class A)

ECONOMIC INDICATORS 2021

	YoY Chg	12-Mo. Forecast
3.2% Brasil Q4 GDP – QoQ	▲	▼
14.2% Unemployment Rate (January/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: Leasing Activity Upturns.

In the first quarter of 2021, São Paulo’s CBD class A office market showed a downturn in terms of net absorption. Due to departures caused by the hybrid work dynamics, some companies returned spaces that weren’t necessary. Given that, the quarter’s net absorption was -18,104 sq.m, with most departures happening in March, that recorded an absorption of -14,936 sq.m. Even in this scenario, there were some expressive occupations and leases, showing that the market is still attractive.

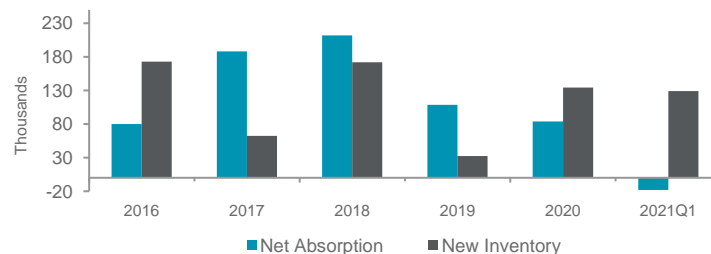
Due to a large and already planned departure in a single building, Pinheiros region registered the lowest net absorption of the period, with -22,774 sq.m. Paulista was the second region with the lowest index (-8,293 sq.m), followed by Chucru Zaidan (-7,910 sq.m). On the other hand, some regions performed well and registered more occupations than departures. This was the case of Vila Olímpia and Faria Lima regions. Vila Olímpia, mainly due to a large occupation by a healthcare company in March, turned last quarter’s negative absorption into a positive one, closing at 13,254 sq.m. Following the same trend, Faria Lima registered a net absorption of 11,491 sq.m.

PRICING: Asking Rents are Increasing.

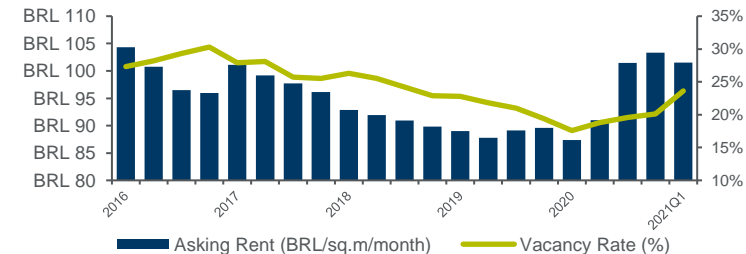
The average asking rent in São Paulo’s CBD region for class A and A+ registered a drop of BRL 1.83/sq.m compared to last quarter and closed the period at BRL 101.50/sq.m/month. This was mainly due to some large occupations in expensive buildings and departures in cheap ones. The price drop also happened because of price adjustments by owners.

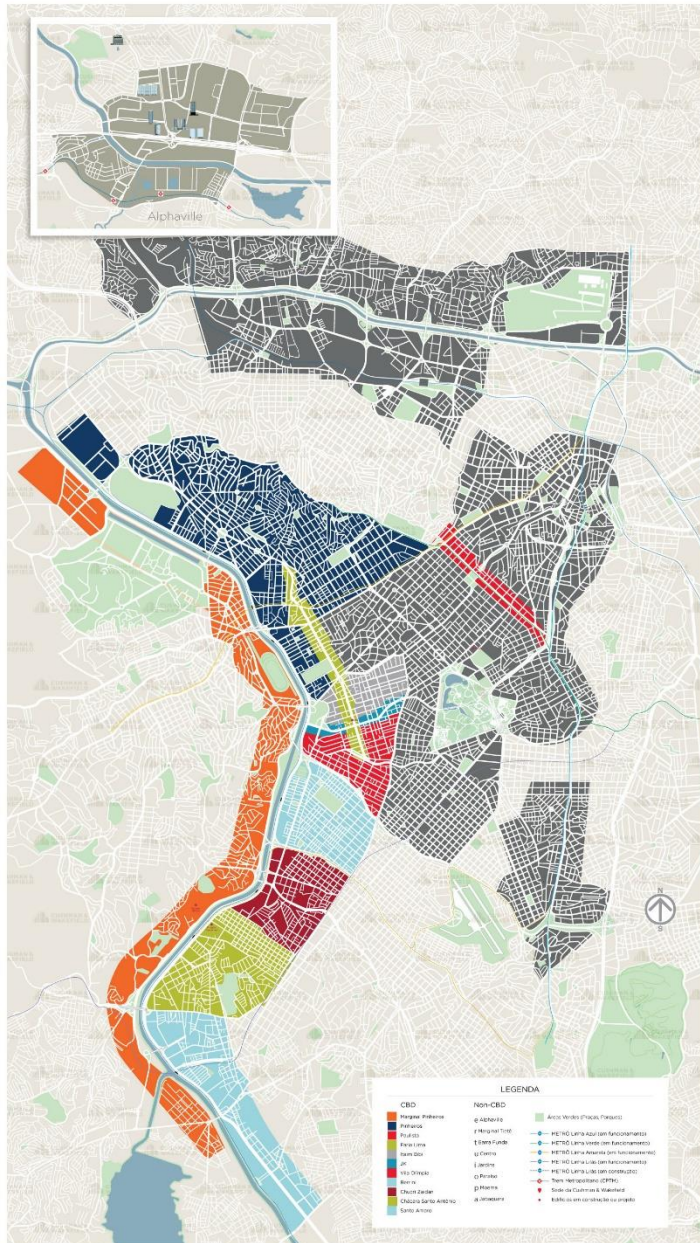
Even so, some regions showed an increase in average asking rents compared to last quarter. Faria Lima was an example of that. With an increase of BRL 1.24/sq.m, the region closed the quarter at BRL 191.93/sq.m/month, the highest average in the historical series, remaining the most expensive region in the city. Going in the opposite direction, Paulista and Vila Olímpia registered the highest drop in prices. Paulista closed out the month at BRL 118.12/sq.m/month, a drop of BRL 5.84 compared to last quarter. Vila Olímpia, mainly due to an expressive occupation in a high asking rent building reached an average of BRL 110.32/sq.m/month.

NET ABSORPTION/ DELIVERIES – CBD A



ASKING RENT / VACANCY – CBD A





Market Overview

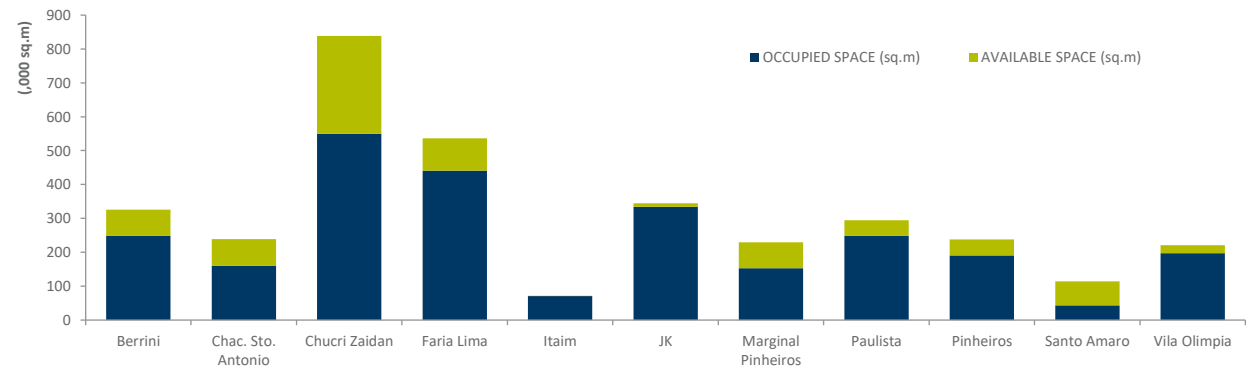
São Paulo's CBD class A office Market debuted 2021 with more departures than occupations, but this scenario can be reverted. Even with some companies returning space, others kept expanding and leasing, maintaining positive absorptions and occupations. There is more than 80 thousand sq.m leased that should turn into occupations in the near future. This shows that São Paulo's office market remains attractive. The vacancy rate increased by 3.5 p.p. due to negative absorptions but also – and mainly – due to the delivery of 128,876 sq.m of new inventory in Chucru Zaidan region in January, causing the city's vacancy rate to close the quarter at 23.6%.

Given this, Chucru Zaidan had a higher vacancy rate than the previous period and reached 34.5% (+ 13.1 p.p. QoQ). In contrast, the regions of Vila Olímpia, Faria Lima, Itaim and Chácara Santo Antonio were some that performed well and registered decreases in vacancy. The most expressive occurred in Vila Olímpia, with 10.7% (- 6 p.p. QoQ), the region's lowest rate since 2012. It is also worth mentioning Faria Lima, which has been registering drops in vacancy over the last few months, and kept this up through the beginning of 2021 as well, with a drop of 2.1 p.p. and a vacancy rate of 17.9%.

Pipeline

In the first quarter of 2021, São Paulo's market received a delivery of 128,876 sq.m of new inventory in the Chucru Zaidan region, a volume similar to the entire new inventory delivered last year. Even after some occasional delays in construction activity the city continues at a normal pace. It is still expected that in 2021 there approximately 89,000 sq.m of class A and A+ new inventory, will be delivered in the Faria Lima, Marginal Pinheiros and Paulista regions.

SUBMARKET COMPARISON

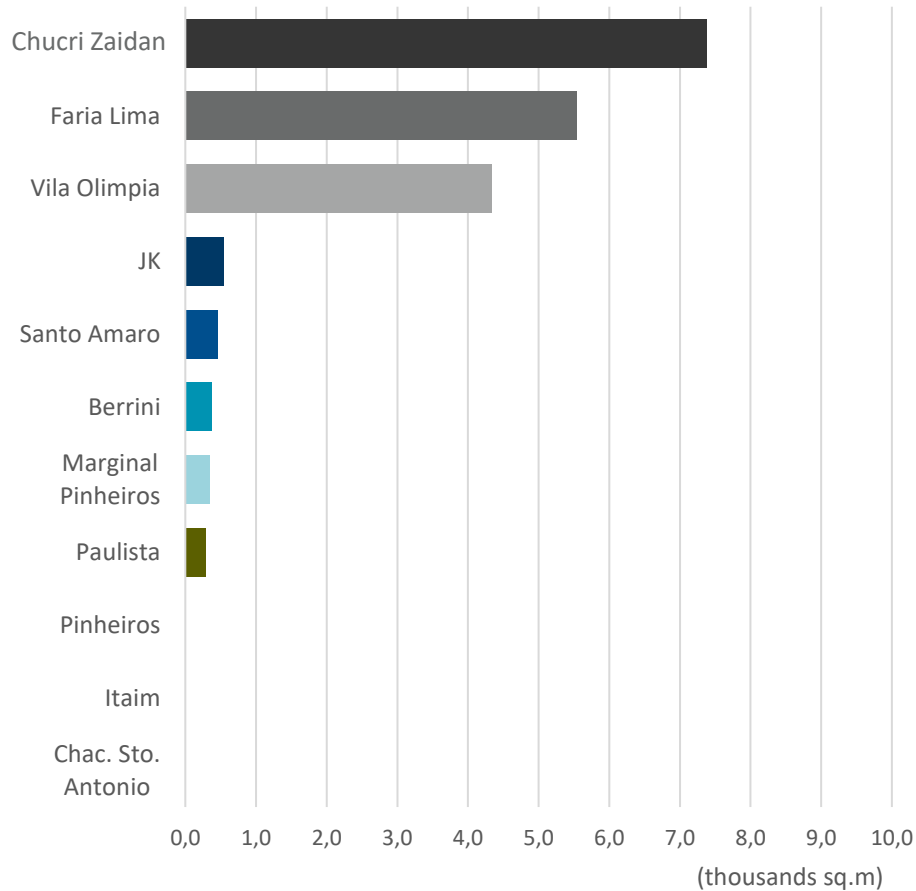


REGIONS

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

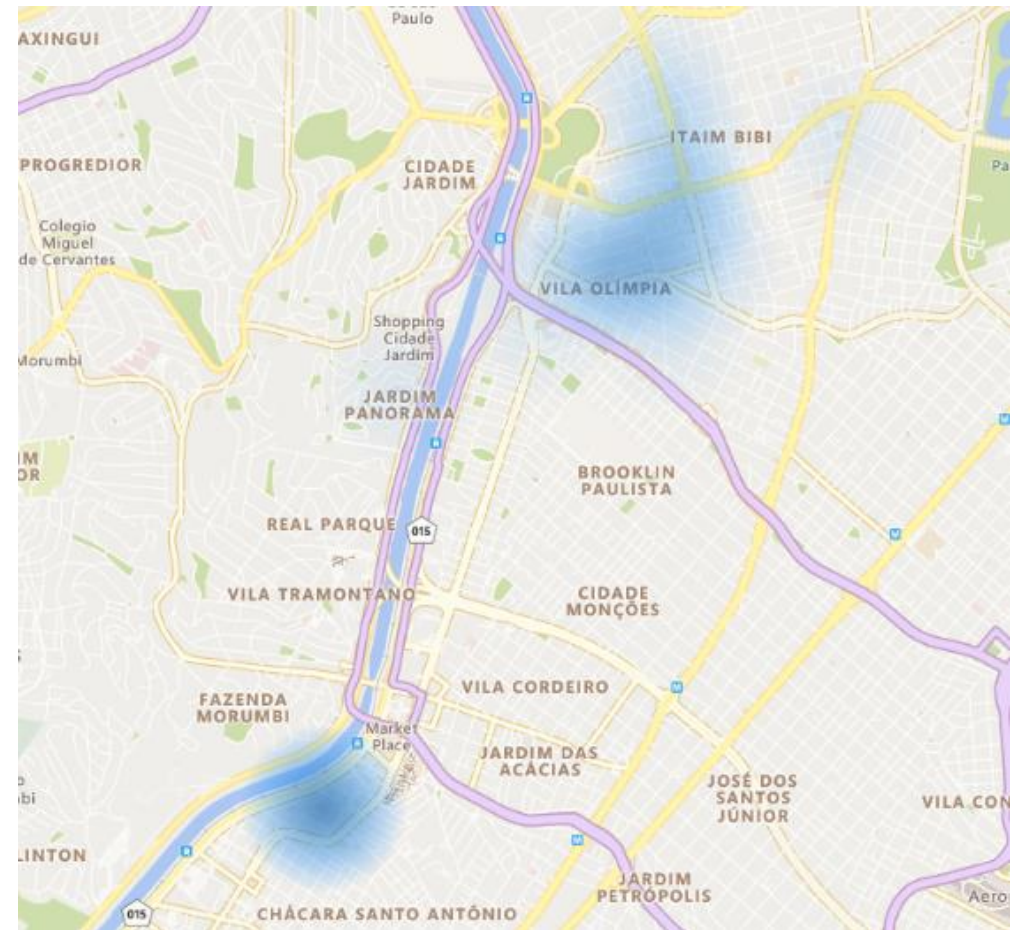
*The vacancy rate calculated and established by Cushman & Wakefield, which takes into account the effective occupation, is at 23.6%. While the commercial vacancy rate considering tracked leases in São Paulo CBD class A closed out the fourth quarter at 21.3%.

Leasing Activity – 2021Q1



The chart above shows the concentration of leasing transactions in São Paulo’s CBD regions. It is clear that the Chucrí Zaidan region stood out the most, with a total of 7,385 sq.m leased in the first quarter of 2021 (in a single building). Following right behind is the Faria Lima region with 5,532 sq.m leased and Vila Olímpia with 4,340 sq.m.

Heat Map - 2021Q1



The heat map is based on the number and size of leasing transactions throughout the first quarter of 2021.

Doutor Chucrí Zaidan Avenue is highlighted due to the 7,385 sq.m transaction in Chucrí Zaidan region, as mentioned earlier. It is also notable a good activity in the area of Faria Lima Avenue and Vila Olímpia, due to some small but numerous leases in those regions in several buildings.

Office Q1 2021

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	325,501	76,723	23.6%	617	617	369	0	BRL 74.05	BRL 94.08
Chac. Sto. Antonio	18	239,120	78,237	32.7%	2,350	2,350	0	30,000	BRL 57.49	BRL 65.16
Chucrí Zaidan	29	838,471	289,372	34.5%	-7,910	13,260	7,385	122,220	BRL 92.23	BRL 99.34
Faria Lima	29	536,687	96,064	17.9%	11,491	18,259	5,532	40,900	BRL 165.48	BRL 191.93
Itaim	4	71,927	968	1.3%	677	677	0	0	BRL 67.56	BRL 150.00
JK	12	344,920	10,541	3.1%	-2,178	1,046	541	0	BRL 119.58	BRL 152.15
Marginal Pinheiros	21	229,281	75,783	33.1%	44	44	344	35,106	BRL 53.86	BRL 68.93
Paulista	18	294,225	45,846	15.6%	-8,293	1,332	284	62,395	BRL 84.20	BRL 118.12
Pinheiros	17	237,559	46,617	19.6%	-22,774	0	0	6,000	BRL 79.65	BRL 109.96
Santo Amaro	8	114,455	70,806	61.9%	-5,383	0	458	0	BRL 40.01	BRL 43.89
Vila Olímpia	16	220,735	23,589	10.7%	13,254	19,640	4,340	8,400	BRL 75.20	BRL 110.32
São Paulo CBD AA+	183	3,452,880	814,545	23.6%	-18,104	57,226	19,253	305,021	BRL 80.97	BRL 101.50

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	AREA (SQ.M)
F.L. Corporate	Faria Lima	Febraban	1,294
Continental Square Faria Lima	Vila Olímpia	Econ Construtora	974
Faria Lima Square	Vila Olímpia	EQI Investimentos	877

*Renewals not included in leasing statistics.

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (SQ.M)	PRICE/BRL/SQ.M
Rochavera Corporate Towers – Ebony and Marble	Chucrí Zaidan	Mirae Asset Global Investment / Consortium BTG, Safra, Kinea	56,738	BRL 22,119.07
Berrini One	Berrini	N/A / CSHG Real Estate FII	2,137	BRL 16,942.17
Condomínio São Luiz – Bloco II*	JK	Oca Administração e Participações; Monte Cristo Adm. Imóveis / Tellus Properties - FII	1,879	BRL 14,100.39

* Class B+

KEY CONSTRUCTION COMPLETIONS 2021

PROPERTY	SUBMARKET	MAJOR TENANT	AREA (SQ.M)	MAIN OWNER/ DEVELOPER
Parque da Cidade Corporate – Torre Aroeira	Chucrí Zaidan	Enel Brasil	45,678	BR Properties
Parque da Cidade Corporate – Torre Paineira	Chucrí Zaidan	-	44,673	BR Properties
Parque da Cidade Corporate – Torre Jatobá	Chucrí Zaidan	-	38,525	BR Properties

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