

	YoY Chg	12-Mo. Forecast
35.5% Vacancy Rate	▲	▼
15.4K Net Absorption (sq.m)	▲	▲
BRL 91.37 Asking Rent (BRL/sq.m)	▼	▼

(CBD Class A)

ECONOMIC INDICATORS 2021

	YoY Chg	12-Mo. Forecast
1.21% 2021Q1 GDP (QoQ)	▲	▲
14.7% Unemployment Rate (April/21)	▼	▼
8.35% CPI Inflation (12 months)	▲	▼

Source: LCA

ECONOMIC SCENARIO

The second quarter of 2021 was marked by an acceleration of vaccination in the country, especially in the main capitals, resulting in a reduction in the number of deaths and cases of COVID-19. Because of this, there was a relaxation of restrictive measures, releasing trade in most states. As a result, there was a YoY change of 23.7% of the restricted PMC (Retail Trade), as well as an increase in the Consumer Confidence Index, which closed June at 80.3, compared to 70.7% in March. In April and May, 397,089 new jobs were created. June's Consumer Price Index was 0.53%, bringing the accumulated twelve-month index to 8.35%, the highest level since September 2016. Demonstrating an austere monetary policy, sensitive to inflation deviations from the target, the Central Bank once again increased the interest rate (SELIC) by 75 basis points to 4.25% p.a. This increase discourages the economy, but anchors inflation expectations within the target margin of 2.25% to 5.25%.

DEMAND: Turnaround in Absorptions

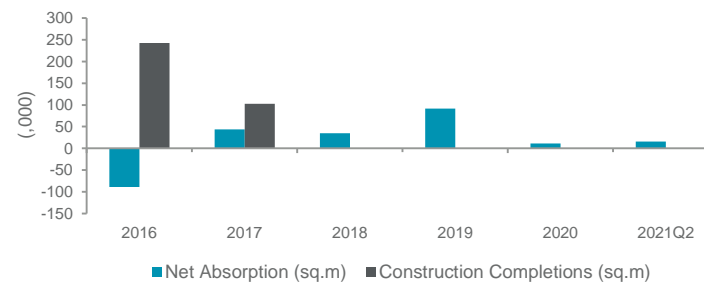
Rio de Janeiro's class A CBD market bounced back after experiencing negative net absorption in the first quarter of the year and closed out 2021Q2 with a net absorption of 15,412 sq.m. Porto was primarily responsible for this, with the occupation of an insurance company, (totaling almost 18,000 sq.m).

Rio de Janeiro continues experience leasing activity, however, a large part of the occupation by tenants continue to be postponed due to social distancing measures imposed by the government. The second quarter of the year totaled 16,262 sq.m leased, divided into the Centro, Zona Sul and Orla regions. Despite the drop in the vacancy rate this quarter, it is expected to remain high until there are signs of economic improvement.

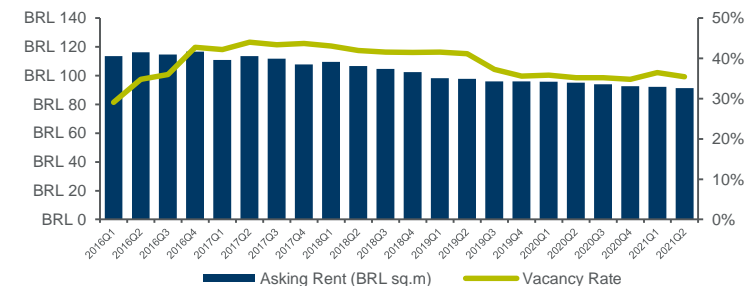
PRICING: Asking Rents are Decreasing

Since the first quarter of 2018, Rio de Janeiro has seen a consecutive drop in its average asking price due to the city's high vacancy rate and the flight to quality/flight to price movement. This has created a tenant market, and tenants have now acquired greater bargaining power and are able to move to better regions and buildings. The Class A CBD market closed out 2021Q2 with an average asking rent of BRL 91.37 per sq.m/month, a drop of 0.95% (QoQ) and 3.87% (YoY). Due to the high vacancy rate in the market, and the lack of new inventory in the region, the rental prices have been unable to move upwards. Since January 2019, when Rio de Janeiro reached BRL 99.65 per sq.m/month, asking prices have not exceeded this value.

SPACE DEMAND / DELIVERIES – CBD A



ASKING RENT / VACANCY – CBD A



RIO DE JANEIRO

Office Q2 2021

Market Overview

Despite the improvement in the result presented at the end of the second quarter of 2021, Rio de Janeiro's Class A CBD market contains more than 98,000 sq.m of leased space that is waiting to be occupied. It is currently empty as the country continues to try and reduce the spread of COVID-19. Also, departures and downsizing by companies that have been adopting the hybrid-office model are still present, even if not as significant as it was the first quarter of the year. Therefore, at the end of 2021Q2, after more than 15,000 sq.m absorbed, the vacancy rate decreased by 1.0 p.p. (QoQ) reaching 35.5% in June.

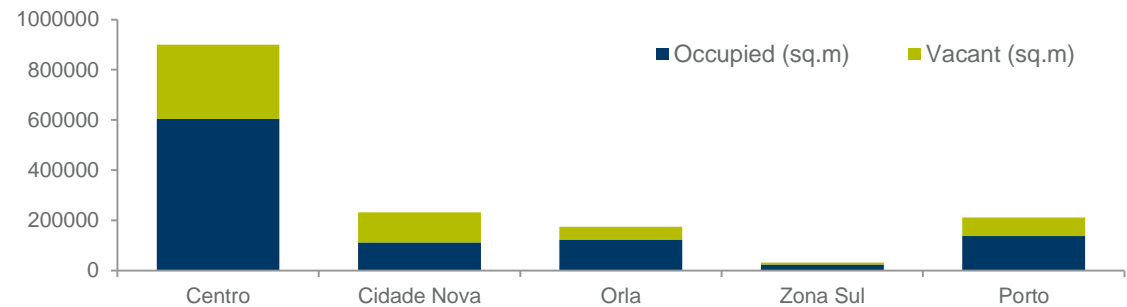
Centro is one of the most attractive regions of the city, so the demand for corporate spaces tends to be greater, as tenants have a wider range of options. However, the vacancy rate in the region remains at high levels, reaching at 32.9% by the end of 2021 second quarter (-0.29 p.p. QoQ).

On the other hand, Porto presented a positive net absorption of 17,848 sq.m, in which a large insurance company occupied one of the most important buildings in the region, causing the vacancy rate to drop by 8.45 pp (QoQ), reaching at 35.2%.

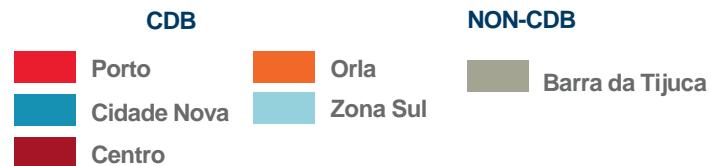
Pipeline

Rio de Janeiro has had a lack of new deliveries since 2018, when it received new class B projects in Barra da Tijuca and Zona Sul, which totaled more than 12,000 sq.m. As for class A, the last delivery was at the end of 2017 in Porto, with more than 69,000 sq.m by one of the most important buildings in the region today. Therefore, due to the high number of vacant spaces in the region, many projects have stopped their construction and the city waits a reduction in the vacancy rate to start new projects.

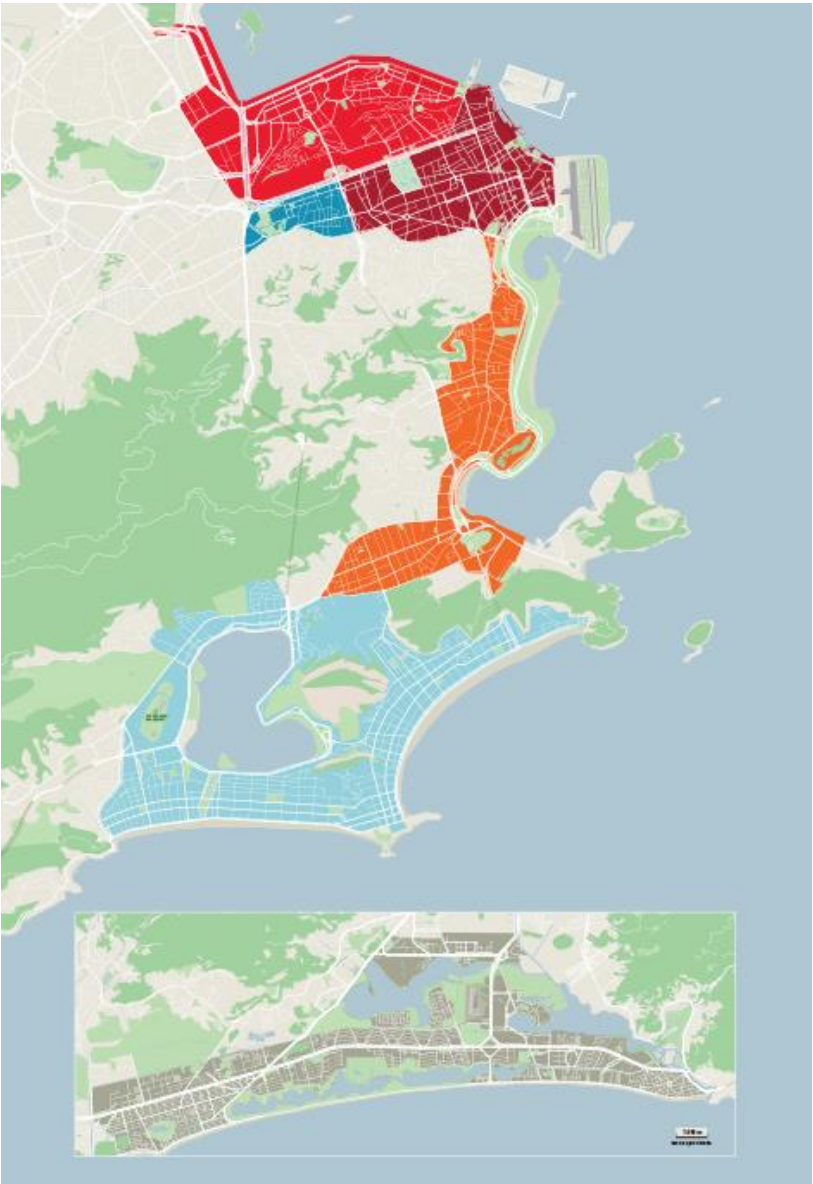
SUBMARKET COMPARISON



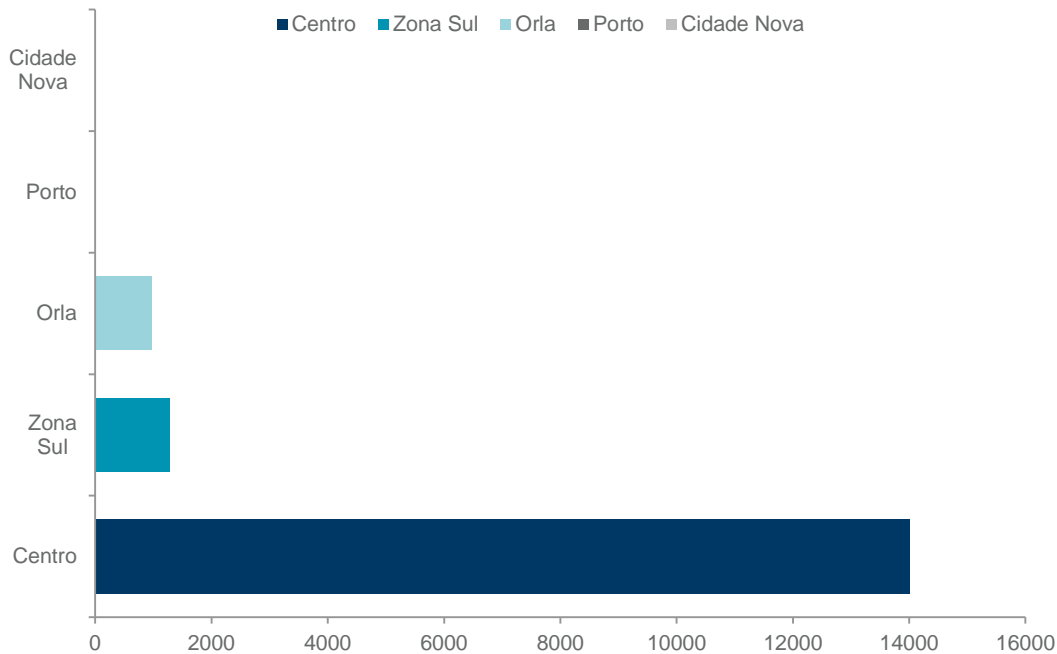
SUBMARKETS



*The vacancy rate calculated and established by Cushman & Wakefield, which takes into account the effective occupation is at 35.5%. While the commercial vacancy rate considering tracked leases in Rio De Janeiro CBD classes A and A+ closed out the second quarter at 29.2%.

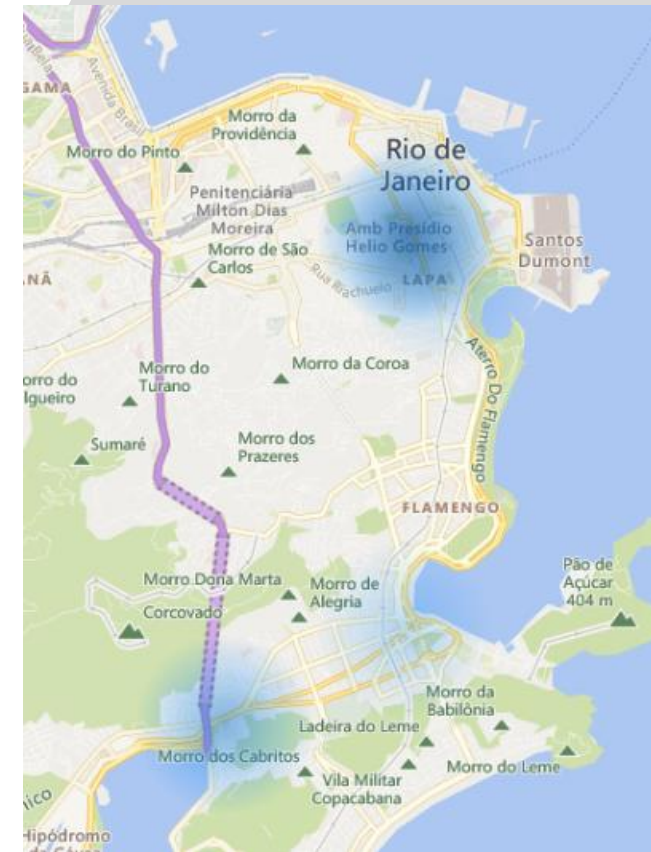


Leasing Activity - 2021Q2



During the second quarter of 2021, Rio de Janeiro received 16,262 sq.m in leases, 14,004 sq.m of which came from the Centro region, 1,283 sq.m from Zona Sul and 975 sq.m from Orla. Such leases were mainly by Oil & Gas, finance and transport companies. Despite the country's current economic situation, it is expected that the vacancy rate will start to drop even more in the city in the long term due the leases in the past quarters and the positive net absorption in the current period, that is expected to continue for the next few months.

Heat Map - 2021Q2



The heat map records the number of leases that occurred during 2021Q2. Centro registered leases in Cinelândia (13,205 sq.m) and Microcentro RJ (799 sq.m), Zona Sul had a lease of 1,283 sq.m in Lagoa while the 975 sq.m leased in Orla were in Botafogo region.

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	296,389	32.9%	2,618	3,415	14,004	-	R\$ 65.8	R\$ 97.1
Cidade Nova	7	232,015	120,506	51.9%	-	-	-	-	R\$ 66.1	R\$ 69.0
Orla	12	173,976	50,786	29.2%	- 5,965	825	975	-	R\$ 84.6	R\$ 102.6
Zona Sul	5	30,745	7,381	24.0%	911	911	1,283	-	R\$ 136.1	R\$ 199.4
Porto	8	211,256	74,290	35.2%	17,848	17,848	-	-	R\$ 71.2	R\$ 88.1
Barra da Tijuca	30	194,388	73,104	37.6%	1,046	1,046	1,977	-	R\$ 51.6	R\$ 73.2
TOTAL CBD A	68	1,548,683	549,351	35.5%	15,412	23,300	16,262	-	R\$ 68.7	R\$ 91.4

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	AREA (sq.m)	TYPE
Ventura Corporate Towers - Torre Leste	Centro	BB – Banco do Brasil	5,294	Lease
Ventura Corporate Towers - Torre Oeste	Centro	BB – Banco do Brasil	5,295	Lease
Ventura Corporate Towers - Torre Leste	Centro	IBM	1,650	Lease
BVEP Nigri Plaza	Centro	Log-In Logistica Intermodal	966	Lease
Edifício Galeria	Centro	Necton	799	Lease
Lagoa Corporate	Zona Sul	SPX Capital	539	Lease
Centro Emp. Mourisco - Torre Corcovado	Orla	Medsenior	513	Lease
Centro Emp. Mourisco - Torre Corcovado	Orla	Eneva	462	Lease
Lagoa Corporate	Zona Sul	Guide Investimentos	372	Lease
Lagoa Corporate	Zona Sul	ASA Investimentos	372	Lease

*Renewals not included in leasing statistics

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