

ECONOMIC INDICATORS

	YoY Change	12-Mo. Forecast
-0.1% GDP Q3 2021 QOQ	▼	▲
12.6% Unemployment Rate (Q3 2021)	▲	▼
10.06% CPI Inflation (12 months)	▲	▼
11.29% Brazil 10-Year Bond Yield	▲	▲

Source: LCA; Government Bonds

	YoY Change	12-Mo. Forecast
7.98% Average Cap Rate	▲	▼
4.49 bi Total Volume (BRL)	▲	▲
28 Total Properties Sold	▼	▲
812,249 Area (sq.m) <i>(All property classes)</i>	▲	▲

ECONOMY OVERVIEW

During the fourth quarter of 2021, the vaccination campaign against Covid-19 continued to advance in the country, which further reduced the number of infections and deaths caused by the disease. At the moment, the moving average of deaths is stable, allowing for a relief in the country's hospital infrastructure and providing a more positive pandemic outlook. Therefore, in this last quarter there was a broader release of the restrictive measures, which were already being gradually relaxed throughout the year. Data from October's Monthly Survey of Trade Show that retail trade decreased 0.1% compared to September in the seasonally adjusted series, maintaining a stable level, after decreasing 1.3% in September and 4.3% in August. Despite this, the expanded retail trade had a negative change of 7.1% compared to October 2020, the third consecutive fall in this indicator. The CCI (Consumer Confidence Index) increased by 0.6 points in December, although the result was positive, the CCI closed 2021 with a drop of 2.6 points. The results of the indicators reflect the rise in prices and, consequently, the reduction in the purchasing power of consumers during the year, especially those with lower purchasing power. Unemployment remains high. According to the Continuous PNAD referring to the 3rd quarter, the unemployment rate was 12.6%, a drop of 2.3 p.p. compared to the same period of 2020 (14.9%). The country's consumer price index (IPCA) for December was 0.73%, closing the year with a high of 10.06%. The "Clothing" group (2.06%) had the greatest impact (0.05 p.p.) on the index, mainly due to the rise in the prices of men's clothing (2.53%) and women's clothing (2.00%).

MARKET OVERVIEW

Regarding transactions, there was a drop in the number of transactions in the fourth quarter, from 39 in the previous quarter to 28 transactions this quarter. Even though the number of transactions was lower, sales volume increased by 13%. In addition, the total sq.m transacted was 16% higher than in the 3rd quarter (697,407 sq.m). The average price/sq.m, however, decreased by 2.98% in a quarter-over-quarter (QOQ) comparison.

The average cap rate for 2021Q4 was 7.98%, an increase of 1.04 p.p. QOQ. This outcome reflects the increased risks associated with real estate investment, mainly due to the country's macroeconomic situation, which presents a scenario of high inflation and high basic interest rates, in addition to the deteriorating fiscal situation. Furthermore, in this quarter, the increase in annual revenue from assets (33%) was twice as high as the change in the value traded (16%) when compared to the previous quarter, another factor which contributed to the increase in cap rates.

MARKET STATISTICS

PROPERTY TYPE	TRANSACTIONS	SALES VOLUME (BRL)	TOTAL SQ.M	PRICE/SQ.M	CAP RATE
Office	16	3,553,873,807.23	170,777.32	20,809.99	7.63%
Industrial	11	906,461,368.34	638,726.70	1,419.17	8.61%
Retail	1	30,255,261.00	2,745.00	11,021.95	8.85%
TOTAL	28	4,490,590,436.57	812,249.02	5,528.59	7.98%

Office

The office market registered 16 transactions in 2021Q4, with only 13 of them in the state of São Paulo. Compared to last quarter, there were 8 fewer transactions carried out. Despite this, employees are expected to gradually return to their offices.

The office financial volume increased 60% QOQ. This greater variation is mainly due to the transaction of four class A+ properties, all located in the CBD region of Faria Lima in São Paulo. The total amount of the transaction was BRL 1,778,670,950.00.

The average cap rate increased and closed at 7.63% reflecting the current macroeconomic environment.

Industrial

The industrial market maintained some stability in the number of transactions. There were 11 transactions in fourth quarter, compared to 10 transactions recorded in the previous one. This was the second consecutive quarter in which the sector's results showed numbers close to those of the beginning of 2021, and lower than those of the office segment.

Therefore, the financial volume was BRL 906,461,368.34, a positive variation of 9.32% QOQ. On the other hand, it presented a negative variation of 67% compared second quarter volume in which there were 23 transactions.

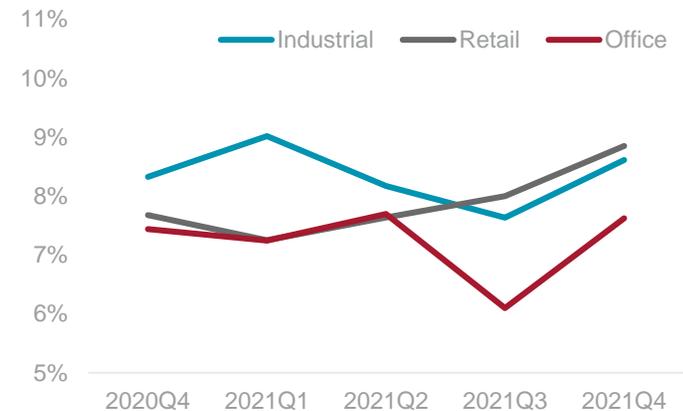
The average cap rate closed at 8.61%, reaching the second highest value in 2021, and interrupting the downward trajectory of previous quarters.

Retail

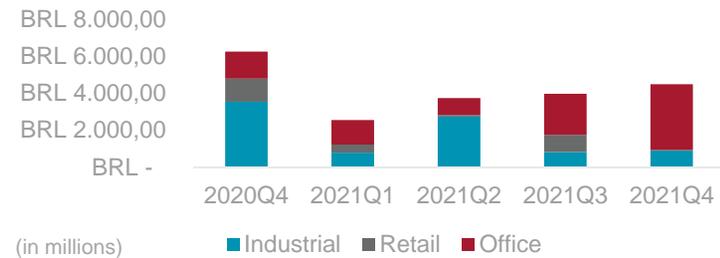
The retail market presented only one transaction in this fourth quarter. The acquisition of Rio2 Shopping by Plural Renda Urbana fund. The mall is in the city of Rio de Janeiro and has a GLA equal to 2,745 sq.m.

The financial volume of the transaction was BRL 30,255,261.00. As a result, the average cap rate was 8.85%, an increase of 0.85 p.p. in relation to the previous quarter.

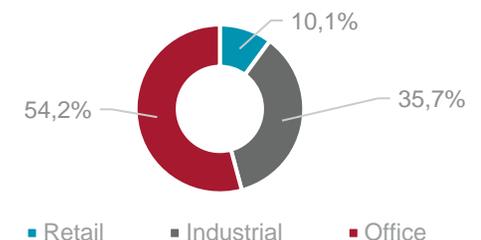
CAP RATE TRENDS BY SECTOR



CAPITAL VOLUME BY PROPERTY TYPE



2021 YTD CAPITAL VOLUME BY PROPERTY TYPE



Main transactions

Regarding Brazil's office market, we highlight the transaction of four A+ class offices located in the Avenida Faria Lima region in São Paulo in the following buildings: FL Financial Center; Faria Lima Square; JK1455; Miss Silvia Morizono. The sale was made by SYN Prop & Tech to Brookfield for BRL 1,778,670,950. The total sq.m transacted was 49,339 sq.m, thus the price/sq.m recorded in the transaction was BRL 36,050.00.

Concerning the retail market, the only transaction carried out was the acquisition of Rio2 Shopping by Plural Renda Urbana fund. The transaction amount was BRL 30,255,261.00. Part of the amount transacted, BRL 8,203,261.00, will be paid with Fund resources and the remaining portion, BRL 22,052,000.00, through a securitization operation.

In the logistics sector, BTG Pactual Logística Fundo de Investimento Imobiliário concluded the acquisition of the GLP – Mauá warehouse, which belonged to GLP Properties. The construction of the logistic park was completed in November 2021. The potential GLA is 88,773.84 m² and the property was already 30% pre-leased. The transaction amount was BRL 345,000,000.00.

NAME	PROPERTY TYPE	BUYER	SELLER	TOTAL SQ.M	PURCHASE PRICE (BRL)	PRICE / SQ.M	REGION
FL Financial Center / Faria Lima Square / JK1455 / Miss Silvia Morizono	Offices	Brookfield	SYN Prop & Tech	49,339.00	BRL 1,778,670,950.00	BRL 36,050.00	Faria Lima
Rio2 Shopping	Retail	Plural Renda Urbana FII	-	2,745.00	BRL 30,255,261.00	BRL 11,021.95	Jacarepaguá
GLP - Mauá	Industrial	BTG Pactual Logística Fundo de Investimento Imobiliário	GLP Properties	88,773.84	BRL 345,000,000.00	BRL 3,886.28	Mauá – Grande ABC

Projections and trends

In 2021, the Central Bank started to adopt restrictive monetary policies, and began a cycle of economic tightening in order to guarantee price stability and to anchor longer-term expectations. Thus, the Monetary Policy Committee decided to raise the basic interest rate by 1.50 p.p., to 9.25% p.a. in December. The expectation is for an even more contractionary monetary policy for the year 2022.

In relation to the real estate market, inflationary pressure on real assets is not being positive in practice, as the rise in prices is not being passed on to property pricing, and assets are not being nominally valued. The expectation is that there will be an appreciation of these assets throughout 2022, considering that the INCC (National Construction Cost Index) closed 2021 with an increase of 14.03%.

In relation to real estate funds, the high interest curve instantly impacts the value of the shares. The expectation for 2022 still carries many uncertainties, but it is possible to find opportunities to enter REITs markets, given that many funds are being traded at discounts in relation to their book value. Furthermore, Real Estate Receivables Funds are expected to continue to perform well this year.

INDICATORS

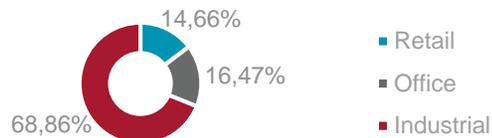


Source: LCA; B3

REAL ESTATE FUNDS

The accumulated variation of the Ifix index in the year 2021 was -1.74%. In October, the index had a negative change of 6.88% MOM, followed by two other consecutive devaluations of 10.52% MOM in November, and 1.74% MOM in December. In view of the strong appreciation of the IGP-M (General Market Price), which accumulated an increase of 17.78% in 2021, many real estate funds started to revisit the indexes of their rental contracts. The index shows a better return as the dollar fluctuates, and at the time of hyperinflation in the country, it began to be widely used. Today, the index does not seem to reflect the country's reality. Therefore, between the second and third quarters there was a drop of 3.68% in the total number of contracts indexed to the IGP-M. The new increase in the basic interest rate to 9.25%, and the expectation of other increases, increases losses in the real estate fund market. As most assets contracts are indexed to the CPI and IGP-M, however, their returns remain more attractive compared to long-term NTN-Bs. Due to the current macroeconomic situation, many funds, especially brick ones, have discounted quotas which can be seen as an investment opportunity. In addition, many REITs are trading below replacement cost, that is, below the amount needed for a given project to be developed, "from scratch". In relation to the Ibovespa, it is still possible to observe the detachment with the Ifix, since the REIT market is slowly and gradually recovering, considering the current economic and health situation in the country.

Portfolio Area by sector (sq. m)



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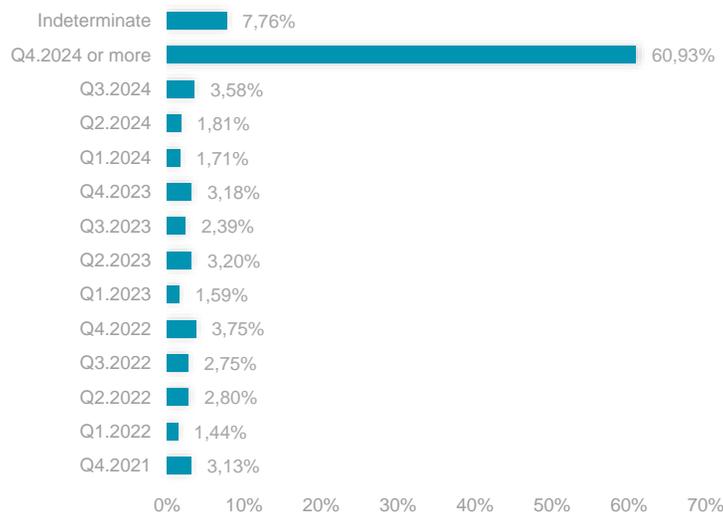
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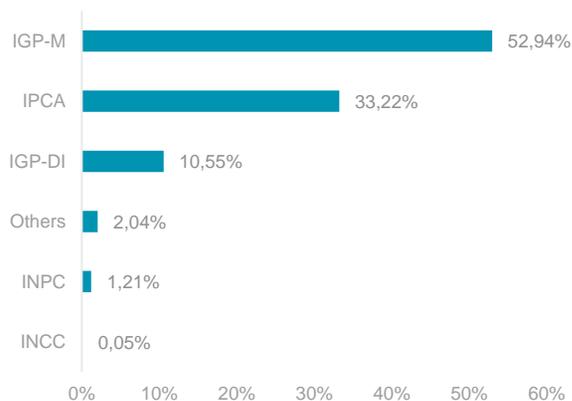
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Lease contracts by renewal date



Revenue from rent by indexes



Note: 135 REITs were considered in this report.