

	YOY Chg	12-Mo. Forecast
35.2% Vacancy Rate	▲	▼
24.6K Net Absorption (sq.m)	▲	▲
BRL 89.02 Asking Rent (BRL/sq.m)	▼	▼

(CBD Class A)

ECONOMIC INDICATORS 2021

	YOY Chg	12-Mo. Forecast
-0.1% 2021Q3 GDP QOQ	▼	▲
12.6% Unemployment Rate (2021Q3)	▲	▼
10.06% CPI Inflation (12 months)	▲	▼

Source: LCA

ECONOMIC SCENARIO

During the fourth quarter of 2021, the vaccination campaign against Covid-19 continued to advance in the country. Therefore, in this last quarter there was a broader release of the restrictive measures. 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. 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. Unemployment remains high. In the 3rd quarter, the unemployment rate was 12.6%. The country's consumer price index (IPCA) for December was 0.73%, closing the year with a high of 10.06%.

DEMAND: Turnaround in Absorptions

Rio de Janeiro's class A CBD market bounced back after experiencing negative net absorption in the third quarter of the year and closed out 2021Q4 with a positive net absorption of 24,632 square meters (sq.m). This value came mainly after a high occupancy in Porto (13,373 sq.m) by an energy company in October, and by an engineering company in Cidade Nova (9,052 sq.m) in December. As a result, 2021Q4 had the lowest vacancy rate of the year (-1.59 p.p. quarter-over-quarter QOQ).

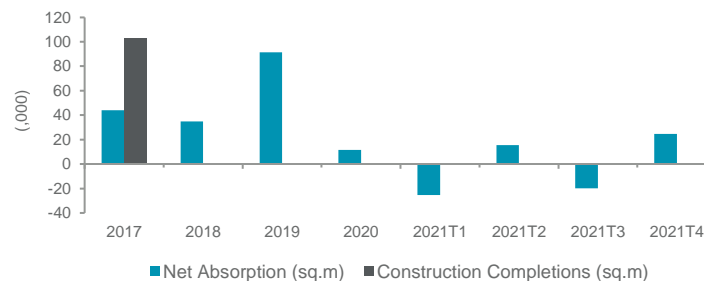
The fourth quarter of the year totaled 9,738 sq.m leased area, while 2021 closed out with more than 76,000 sq.m. Even though the city continues to register leases, some occupations continue to be postponed by tenants due to the social distancing measures imposed by the government. It is expected that, with the gradual return to offices, the vacancy rate starts to drop again constantly, even if it remains at high levels until there are signs of economic improvement.

PRICING: Asking Rents are Decreasing

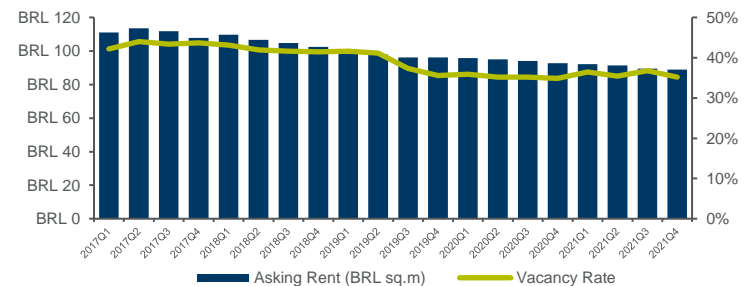
Since the last quarter of 2019, Rio de Janeiro has seen consecutive drops in its average asking price due to the city's high vacancy rate and the flight-to-quality/flight-to-price movement. This has created a tenant market, and tenants have now acquired greater bargaining power and are able to move to better regions and buildings. Class A CBD market closed out 2021Q4 with average asking rent of BRL 89.02 per sq.m/month, a drop of 0.57% QOQ and 3.94% year-over-year (YOY). The decrease occurs mainly after departures in less expansive buildings, occupancies in more expansive buildings and price reduction by the owners.

Due to the high vacancy rate in the market, and the lack of new completions in the region, rental prices may not move upwards for the next periods. Asking rents in Rio de Janeiro have not exceeded BRL 99.65 per sq.m/month since January 2019.

SPACE DEMAND / DELIVERIES – CBD A

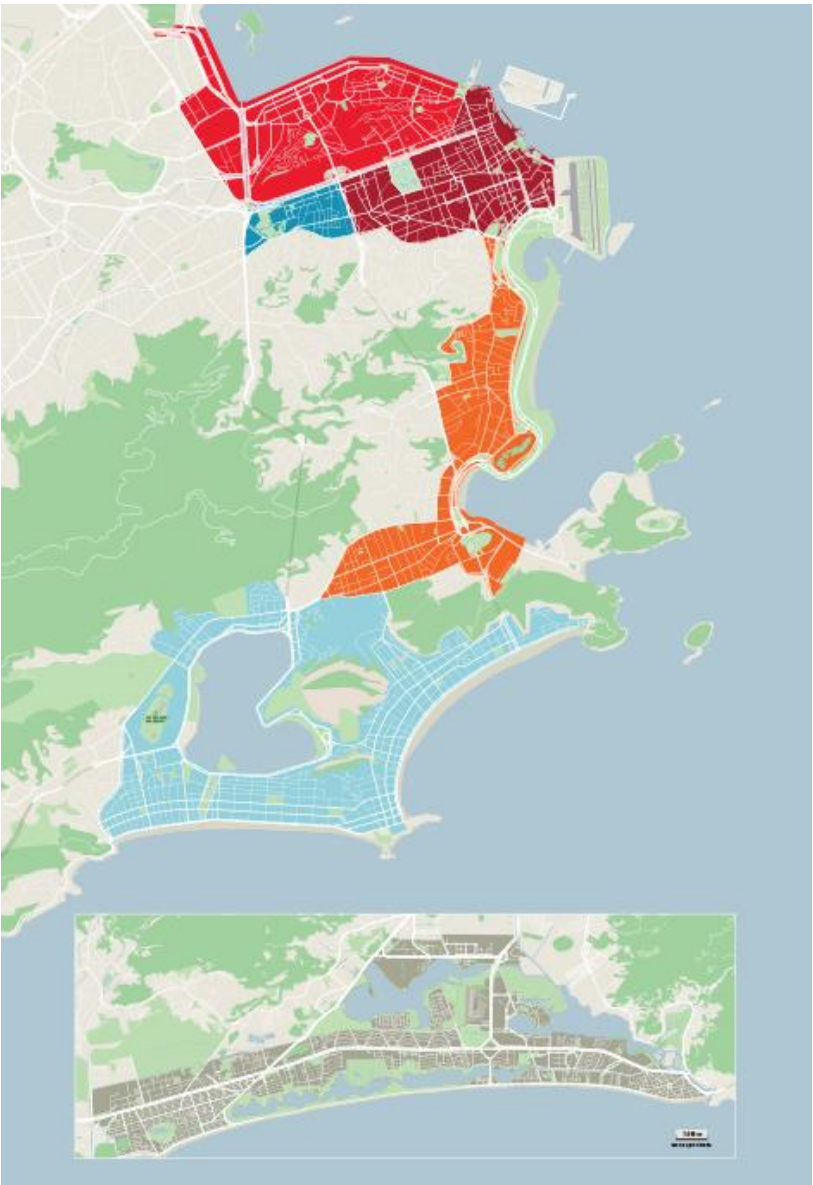


ASKING RENT / VACANCY – CBD A



RIO DE JANEIRO

Office Q4 2021



Market Overview

Rio de Janeiro's Class A CBD market contains more than 100,000 sq.m of leased area waiting to be occupied. Aiming to reduce the spread of COVID-19, occupations continue to be postponed. Although companies started to return to offices, they are adopting the hybrid work model which triggers in some cases the reduction of area in the corporate spaces. Therefore, by the end of 2021Q4, after positive net absorption of 24,632 sq.m, the vacancy rate dropped by 1.59 p.p. QOQ, reaching 35.2% in December.

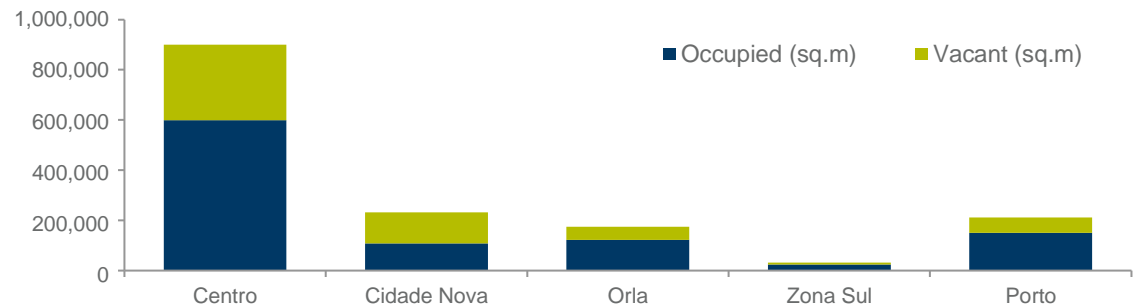
Centro is one of the most attractive regions of the city, and one of the regions with the highest number of leases monthly. With that, due to its inventory size and the high number of empty areas, tenants have a wider range of options.

On the other hand, in 2021Q4, the region with the highest number of leases was Orla, represented mainly by oil & gas and finance companies, totaling 4,999 sq.m. Then, represented by transport, finance, oil & gas, utility system e legal services, Centro had 3,640 sq.m of leased area. Yet, with its large inventory and available area, the vacancy rate in Centro continues in high levels, reaching 33.45% (-0.06 p.p. QOQ). Lastly, Zona Sul also had leases, totaling 1,099 sq.m leased by finance companies.

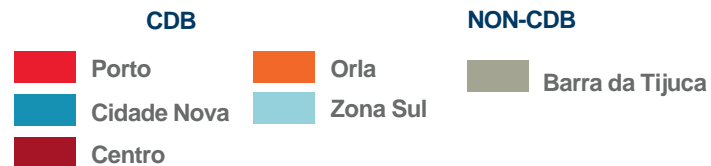
Pipeline

The office market in Rio de Janeiro is currently oversupplied. The city hasn't received any new completions since 2018, which have been absorbed gradually since then. Due to the lack of new buildings over the next couple of years, the vacancy rate should be pressured only from the demand side meanwhile tenants start to occupy or departure corporate spaces. Rio de Janeiro experiences a flight-to-quality/flight-to-price moment once the vacancy rate is in high levels and the rental prices are decreasing.

SUBMARKET COMPARISON

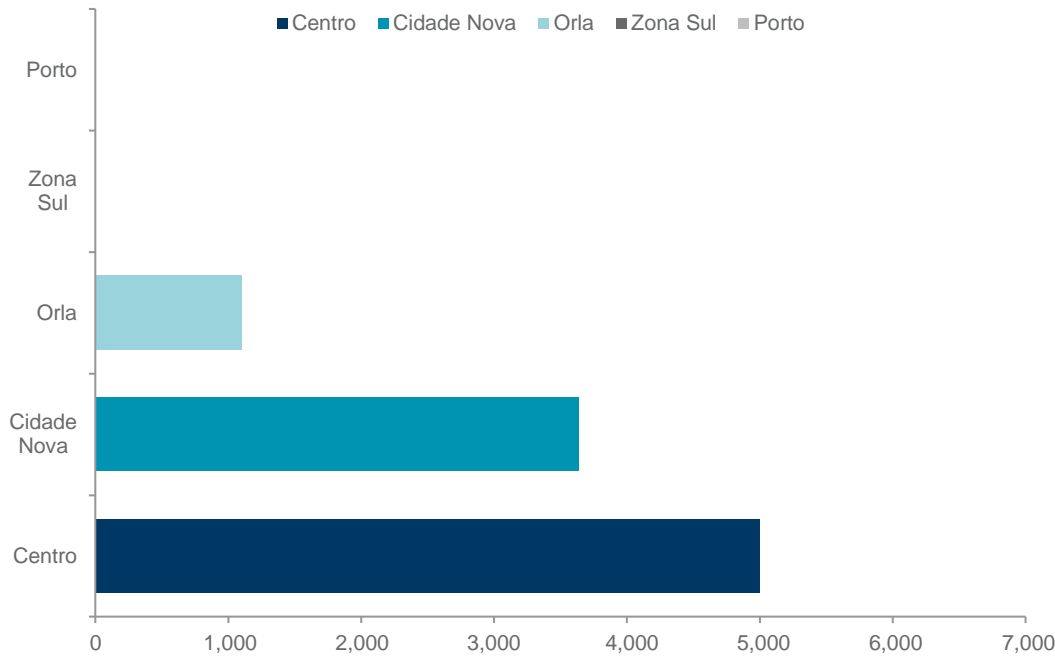


SUBMARKETS

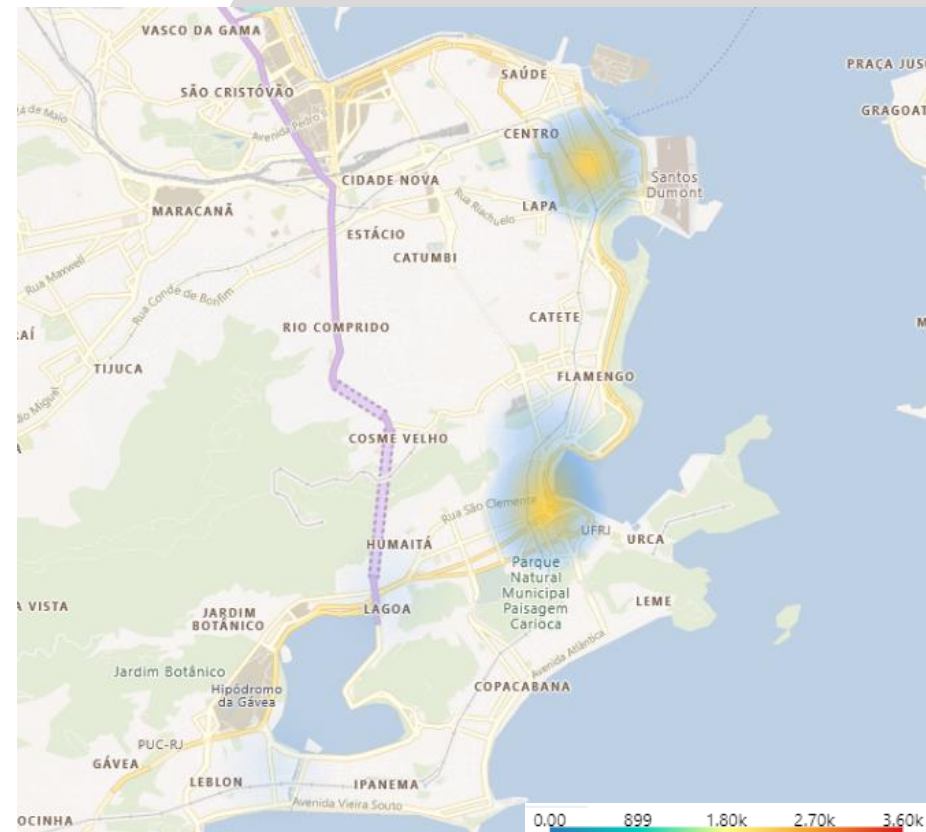


*The vacancy rate is calculated and established by Cushman & Wakefield, which takes into account the effective occupation, resulting in a vacancy of 35.2%. However, the commercial vacancy rate is considered by the leases in Rio de Janeiro CBD class A, closing the fourth quarter at 28.7%.

Leasing Activity - 2021Q4



Heat Map - 2021Q4



During the fourth quarter of 2021, Rio de Janeiro received 9,738 sq.m in leases. Orla had 4,999 sq.m leased area, followed by Centro (3,640 sq.m) and Zona Sul (1,099 sq.m). Those leases occurred by companies from some sectors, such as transport, finance, oil & gas, utility system and legal services. In 2021, Rio de Janeiro received more than 76,000 sq.m of leased area. Given the current moment of flight-to-quality/flight-to-price movements, and the return of companies to offices as vaccination advances, a reduction in the vacancy rate is expected in the coming months. Furthermore, for the current quarter, after the positive net absorption, the vacancy rate dropped 1.59 p.p. QOQ.

The heat map records the number of leases that occurred during 2021Q4 in Rio de Janeiro CBD region. In *Orla*, the leases were registered in *Botafogo* at two different buildings. In *Centro*, *Castelo* was responsible for all the leases, also divided in two buildings. *Zona Sul*, in turn, had leases in *Lagoa* (539 sq.m) and *Leblon* (560 sq.m).

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	301,239	33.4%	578	5,012	3,640	0	BRL	63.51	BRL	95.24
Cidade Nova	7	232,015	123,998	53.4%	9,052	9,052	0	0	BRL	63.01	BRL	66.67
Orla	12	173,976	51,765	29.8%	513	513	4,999	0	BRL	85.11	BRL	103.48
Zona Sul	5	30,745	6,568	21.4%	1,116	1,116	1,099	0	BRL	143.57	BRL	208.90
Porto	8	211,256	60,917	28.8%	13,373	13,373	0	0	BRL	62.85	BRL	81.08
Barra da Tijuca	30	194,388	73,577	37.9%	-974	1,588	11,064	0	BRL	51.49	BRL	72.66
Total CBD A	68	1,548,683	544,486	35.2%	24,632	29,066	9,738	0	BRL	65.96	BRL	89.02

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	AREA (sq.m)	TYPE
Centro E. Mourisco – Torre Corcovado and Pão de Açúcar	Orla	Eneva	3,139	Lease
Linneo de Paula Machado	Centro	Águas do Rio	1,286	Lease
Linneo de Paula Machado	Centro	Salomão Advogados	1,168	Lease
Centro Empresarial Botafogo	Orla	Itaú Unibanco	936	Lease
LET - Leblon Executive Towers	Zona Sul	Banco Safra	560	Lease
Lagoa Corporate	Zona Sul	JGP Gestão de Recursos	539	Lease
Linneo de Paula Machado	Centro	EDF Renewables	526	Lease
Centro Empresarial Botafogo	Orla	Undisclosed	468	Lease
Centro Empresarial Mourisco - Torre Pão de Açúcar	Orla	Bondinho Pão de Açúcar	456	Lease
Torre Almirante	Centro	Kuehne + Nagel Serviços Logísticos LTDA	440	Lease
Linneo de Paula Machado	Centro	ATGÁS	220	Lease

*Renewals not included in leasing statistics

KEY SALE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	AREA (sq.m)	PRICE/BRL sq.m
Torre Almirante	Centro	- / FII PRIME	25,087	384,000,000

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