

## ECONOMIC INDICATORS

	YoY Change	12-Mo. Forecast
<b>1.6%</b> GDP (Q4 2021 QOQ)	▲	▼
<b>11.1%</b> Unemployment Rate (Q4 2021)	▼	▼
<b>11.30%</b> CPI Inflation (12 months)	▲	▼
<b>11.75%</b> Brazil 10-Year Bond Yield	▲	▲

Source: LCA; Government Bonds

	YoY Change	12-Mo. Forecast
<b>7.67%</b> Average Cap Rate	▼	▲
<b>1.1 bi</b> Total Volume (BRL)	▼	▲
<b>6</b> Total Properties Sold	▼	▲
<b>144,634</b> Area (sq.m) <i>(All property classes)</i>	▼	▲

## ECONOMY OVERVIEW

In the first quarter of 2022, Brazil resumed activities in full. Small and medium-sized companies have already returned 100% of their employees in person, large companies still face the dilemma of hybrid work, face-to-face or remote. In light of this, the Monthly Survey of Trade recorded, in February, an increase of 1.1% MOM in retail sales volume in its seasonally adjusted series. For comparison, in February 2021, retail fell by 3.9%. Despite this, the CCI (Consumer Confidence Index) closed the quarter down 3.1 points, impacted by high inflation and the gradual recovery of the labor market. Moreover, the increase in uncertainty also contributed to this result since consumers began to present a more cautious stance. The IIE-Br (Economic Uncertainty Indicator) rose 4.2 points in March to 121.3 points, mainly reflecting changes in future prospects in the face of the war between Ukraine and Russia, which is affecting the global economy. Regarding the unemployment rate, the latest Continuous National Survey by Household Sample (PNAD) reported, for the moving quarter from December 2021 to February 2022, a rate of 11.2%, or a decrease of 0.4 p.p. compared to the previous mobile quarter and 3.4 p.p. compared to the same period a year earlier. Regarding inflation, the CPI rose 0.61 p.p. in March, reaching 1.62% MOM, the highest value recorded for the period since 1994. This result was mainly impacted by the transport (0.65 p.p.) and food and beverage (0.51 p.p.) groups. Over the last 12 months, the index has accumulated a high of 11.30%, reflecting especially the rise in fuel prices. Finally, the INCC - M (National Construction Cost Index - M) showed a 0.73% change in March and has already accumulated a high of 1.85% in the year and 11.63% in 12 months.

## MARKET OVERVIEW

The first quarter of 2022 showed a significant drop in the number of transactions. A total of six transactions were recorded compared to the 28 recorded in the 4th quarter of 2021. Sales volume totaled BRL 1,110,877,259.83, and the total number of sq.m transacted was 144,634. Comparatively, for the same period last year, in which 15 transactions were recorded, the financial volume was approximately twice as high and the total amount of sq.m that was purchased was four times higher. It is worth remembering that in this period of last year, the Selic rate was at 2% p.a., which in theory decreases the attractiveness of fixed income, making the investment in real estate more attractive.

The average cap rate fell 0.31 p.p. and reached 7.67% in the first quarter of 2022. The Industrial segment fell the most, followed by Retail, while the office segment did not record any transactions. This result was influenced by the increase in the interest rate, and by the expectation of maintaining the economic tightening cycle, since investors start to demand larger cap rates. Therefore, even with a reduced number of transactions compared to the fourth quarter of 2021, the average cap rate did not suffer a considerable fall.

## MARKET STATISTICS

PROPERTY TYPE	TRANSACTIONS	SALES VOLUME (BRL)	TOTAL SQ.M	PRICE/SQ.M	CAP RATE
Industrial	3	219,983,181.14	82,910.24	2,653.27	8.93%
Retail	3	890,894,078.69	61,723.76	14,433.57	7.06%
<b>TOTAL</b>	<b>6</b>	<b>1,110,877,259.83</b>	<b>144,633.99</b>	<b>7,680.61</b>	<b>7.67%</b>

### Office

The office market did not report any transactions in the first quarter.

### Industrial

The industrial market showed a fall in the number of transactions. Three transactions were recorded in the first quarter as compared to 11 transactions recorded in the previous quarter.

Therefore, the sales volume was BRL 219,983,181.14, a negative change of 76% compared to the previous period.

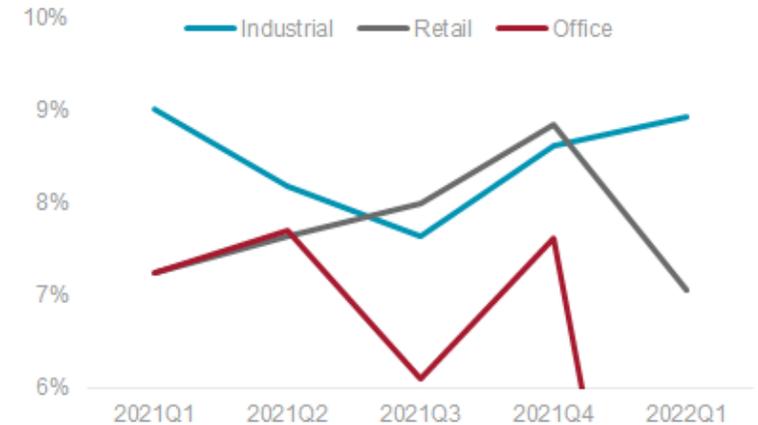
The industrial *cap rate* average closed at 8.93%, reaching the highest value since the first quarter of 2021, in which the average cap rate was 9.2%. In relation to the 4th quarter, there was an increase of 3.72%, which is on a growth trajectory.

### Retail

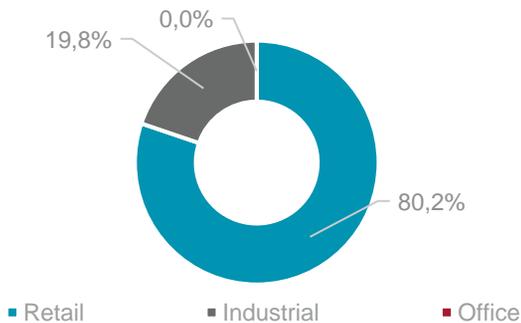
The retail market had 3 transactions in the first quarter, and shares were traded in two malls in Bahia and one in Minas Gerais.

The sales volume totaled BRL 890,894,079. Therefore, the average retail cap rate was 7.06%, mainly impacted by the value of the guaranteed cap rate of 7.8% p.a. in the Shopping Bahia transaction, in which REIT XP Malls acquired 9.05% of the enterprise.

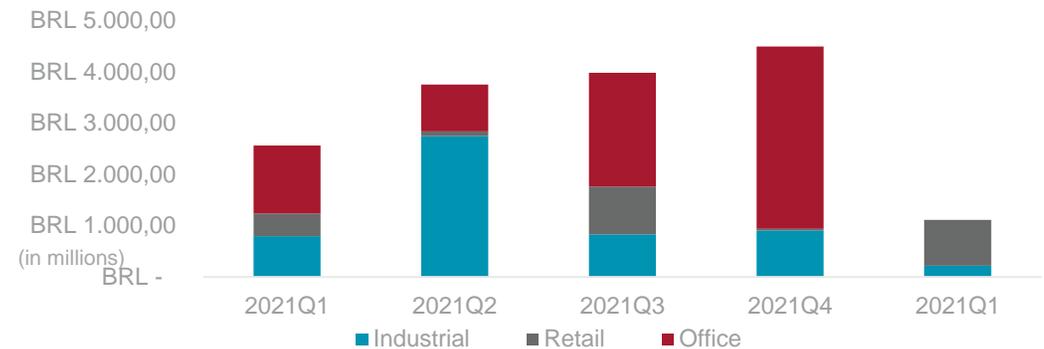
### CAP RATE TRENDS BY SECTOR



### 2022 YTD CAPITAL VOLUME BY PROPERTY TYPE



### CAPITAL VOLUME BY PROPERTY TYPE



### Main transactions

In the logistics sector, RBR LOG - Real Estate Investment Fund completed the acquisition of 50% of the FW5 logistics park, located in Extrema, Minas Gerais. The asset has a total built area of 75,200sq.m and is fully leased to the Mercado Livre. The transaction value was BRL 124,983,181 .

In the retail segment, we highlight the transaction of Shopping Paralela, located in Salvador, Bahia. The sale was made by REC 2017 Empreendimentos e Participações I S.A. to HSI Malls - Real Estate Investment Fund for BRL 432,721,212.00, which will be paid through a securitization operation of receivables. The REIT acquired 51% of the asset, and 100% of the expansion area, leased by Unime College under a BTS contract ("Built to Suit"). The total built area traded was 37,804 sq.m.

NAME	PROPERTY TYPE	BUYER	SELLER	TOTAL SQ.M	PURCHASE PRICE (BRL)	PRICE / SQ.M	REGION
Shopping Paralela	Retail	HSI Malls FII	REC 2017 Empreendimentos e Participações I S.A	37,804	BRL 432,721,212	BRL 11,446.44	Salvador - BA
Parque logístico FW5	Industrial	RBR LOG FII	-	75,200.47	BRL 124,983,181.14	BRL 3,324	Extrema - MG

### Projections and trends

2022 will be a year of focus on economic and political issues. In March 2021, the Central Bank (Bacen) began a contractionary cycle, aiming at containing inflationary pressures and anchoring expectations on the relevant horizon. The economic tightening is projected to continue this year, considering the current economic environment of high inflation and increased uncertainties, added to the country's deteriorating fiscal situations.

For the real estate market, the expectation is that its dynamism will be discouraged, looking at the rise in interest rates and the slowdown in growth, which will affect the labor market's recovery. With regard to real estate market value, high cap rates will negatively affect its pricing. Furthermore, inflationary pressures and rising costs have not yet been passed on to the pricing of assets that are not being nominally valued. Throughout the year, this appreciation is expected to occur.

In relation to real estate funds, the expectation is that on average they will continue to perform well and will offer more advantageous gains when compared to long-term government bonds. Despite this, caution is advised in the face of the uncertainties surrounding the coming months of 2022.

### INDICATORS

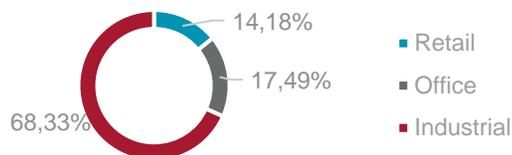


Source: B3

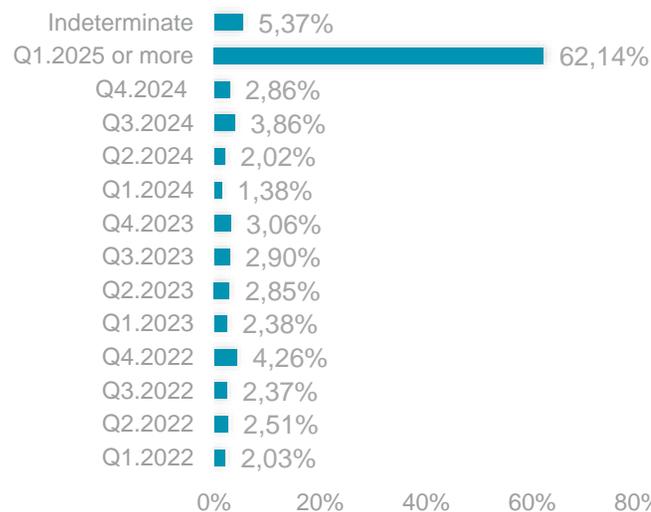
### REAL ESTATE FUNDS

The cumulative change in the Ifix index in the first quarter of 2022 was -0.87%. In January, the index showed a negative variation of -1.29% MOM, followed by two other consecutive valuations of 1.42% MOM in February, and 0.91% MOM in March. In view of inflationary pressures, the re-discussion of fund indexes in rental contracts intensified. The IGP-M (General Price Index – Market), which has already accumulated a high of 5.49% this year, has been replaced by other indicators, such as CPI and IGP-DI (General Price Index - Internal Availability). For this quarter, there was a 19.2% drop in total contracts indexed to IGP-M, and positive variations of 33% and 4.9% for the CPI and IGP-DI, respectively. In relation to earnings, REITs are more attractive when compared to long-term NTN-Bs, since most rental contracts are indexed to the CPI and IGP-M. In addition, the high interest rate and high inflation environment contributes to an increase in the profitability of REITs that is correlated with these two parameters. Given this, brick funds have low quotas, in addition to being traded below replacement costs. It is worth mentioning that brick funds, although they do not pass on inflation in the short term, value in the long term.

### Portfolio Area by sector (sq. m)



### Lease contracts by renewal date



### LUIS FERNANDO DEAK

Head of Market Research & Business Intelligence  
South America  
[luis.deak@sa.cushwake.com](mailto:luis.deak@sa.cushwake.com)

### RENATO PAGLARIN

Coordinator of Market Research & Business Intelligence  
South America  
[renato.paglarin@cushwake.com](mailto:renato.paglarin@cushwake.com)

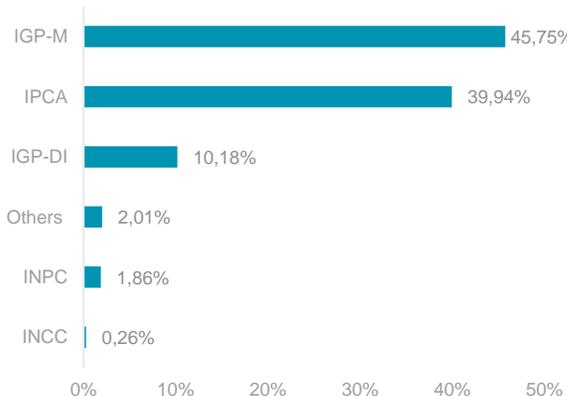
[cushmanwakefield.com](http://cushmanwakefield.com)

### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in 400 offices and 60 countries. In 2021, the firm had revenue of \$9.4 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

### Revenue from rent by indexes



Note: 134 REITs were considered in this report.