

	YOY Chg	12-Mo. Forecast
35.7% Vacancy Rate	▲	▼
603 Net Absorption (sq.m)	▲	▲
BRL 88.78 Asking Rent (BRL/sq.m)	▼	▼

(CBD Class A)

ECONOMIC INDICATORS

	YOY Chg	12-Mo. Forecast
1.6% 2021Q4 GDP QOQ	▲	▼
11.1% Unemployment Rate (2021Q4)	▼	▼
11.30% CPI Inflation (12 months)	▲	▼

Source: LCA

ECONOMIC SCENARIO

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.

DEMAND: Downturn in Absorptions

After closing out the final quarter of 2021 with a net absorption over 24,000 sq.m, Rio de Janeiro's class A CBD market closed out first quarter 2022 with a drop in absorptions, resulting in a positive value of 603 sq.m. Thanks to the *Centro* region, February and March were responsible for nearly netting out absorption, displaying both high positive and high negative values. In turn, the vacancy rate dropped 0.04 p.p. quarter-over-quarter (QOQ) and reached 35.68% in March. Leasing for the final quarter of 2021 totaled 13,348 sq.m of higher than last quarter. Once again, *Centro* is primarily responsible for that value. Although the city is still seeing a large number of leases, many tenant occupancies continue to be postponed. It is expected that, with the gradual return to offices, the vacancy rate will start to drop again constantly, even if it remains at high levels until there are signs of economic improvement.

PRICING: Asking Rents are Decreasing

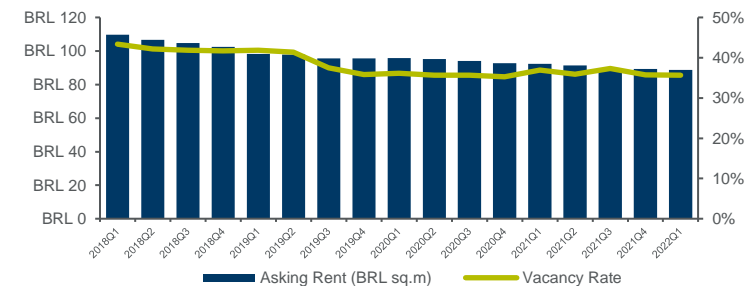
Due to the city's high vacancy rate and the flight-to-quality/flight-to-price movement, Rio de Janeiro's market has seen consecutive drops in its average asking price since the first quarter of 2020. This has created a tenant's market, and tenants have now acquired greater bargaining power and are able to move to better regions and buildings. The Class A CBD market closed out 2022Q1 with average asking rent of BRL 88.78 per sq.m/month, a flat variation comparing to last quarter and a drop of 3.81% year-over-year (YOY). Those variations occurred mainly due to market moves, and whether asking prices were occupations or departures.

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 several quarters.

SPACE DEMAND / DELIVERIES – CBD A

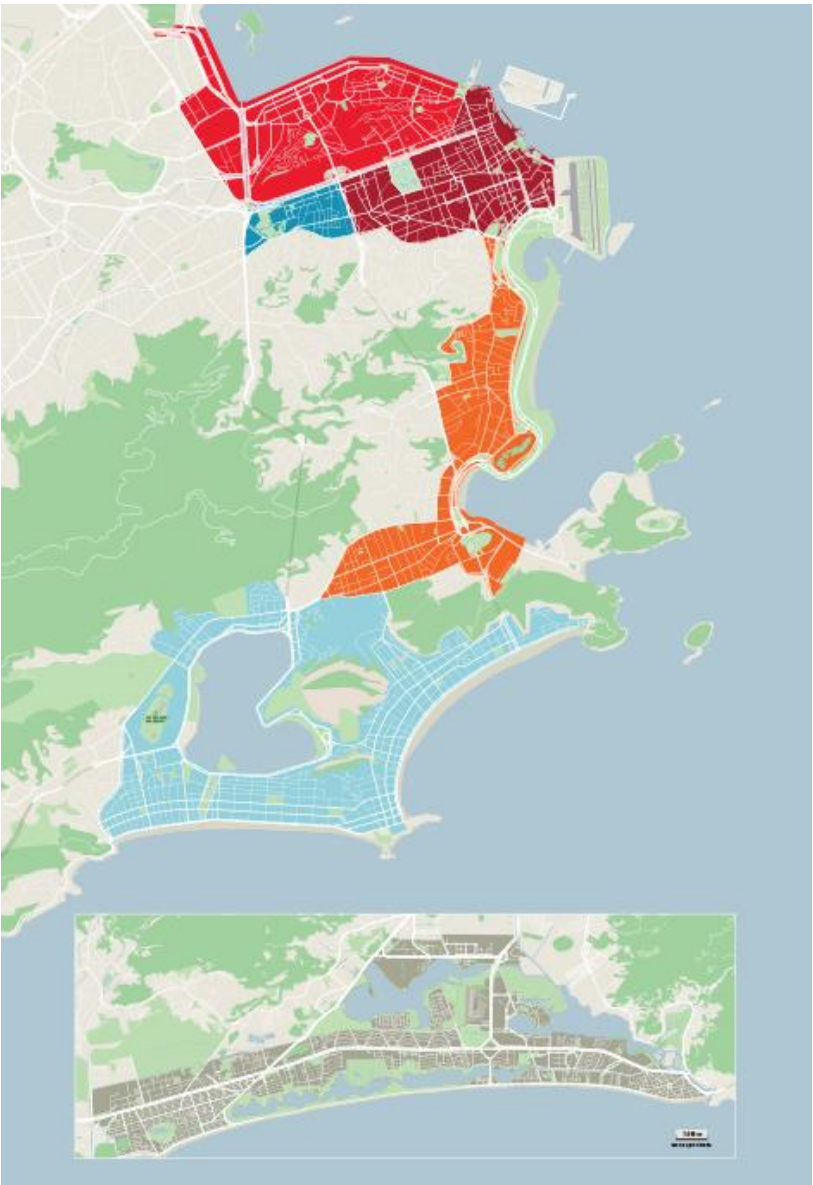


ASKING RENT / VACANCY – CBD A



RIO DE JANEIRO

Office Q1 2022



Market Overview

Rio de Janeiro's Class A CBD market contains almost 100,000 sq.m of leased area waiting to be occupied. Although more people are returning to office, many companies are adhering to the hybrid work model, which triggers the reduction of the occupied area by those tenants. With that said, 2022Q1 displayed a net absorption of 603 sq.m after ending 2021Q4 with more than 24,000 sq.m. Thus, the vacancy rate dropped and reached 35.7%.

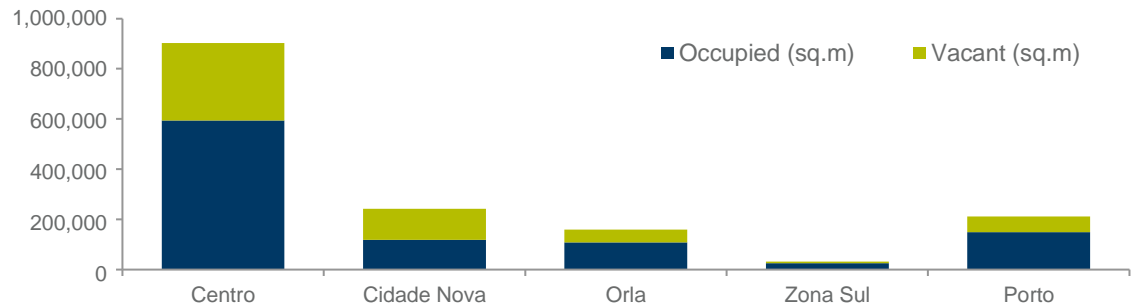
Once again, *Centro* stands out in number of leases, showing its attractiveness. The region received more than 11,000 sq.m, mostly from a company in the public administration sector. However, due to its inventory size and the high number of empty areas, tenants have a wider range of options and gain bargaining power.

Porto's 2022Q1 vacancy rate dropped by 14.21 p.p. YOY. During 2021, the region absorbed more than 30,000 sq.m in an important class A building. On the other hand, *Orla* had a number of new leases in the last few quarters. In 2022Q1, the region received almost 2,000 sq.m of leased area in one single building.

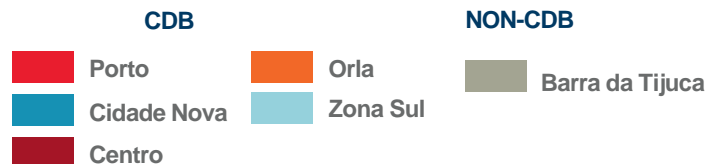
Pipeline

Rio de Janeiro has not had any new completions since 2018, which have been absorbed gradually since then. Additionally, the city's office market is currently oversupplied. No deliveries are expected for the next few years, so the vacancy rate should drop while tenants start to occupy the corporate spaces. Rio de Janeiro is experiencing a flight-to-quality/flight-to-price moment, as tenants gain bargaining power to choose better regions and buildings with lower asking prices once the vacancy rate still in high levels.

SUBMARKET COMPARISON

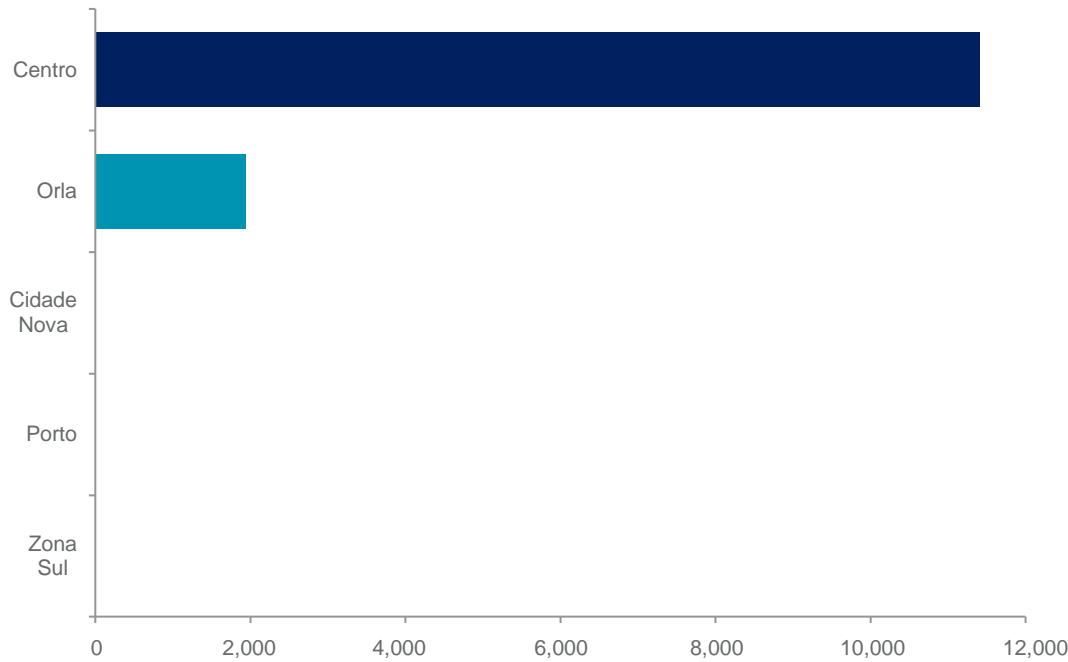


SUBMARKETS



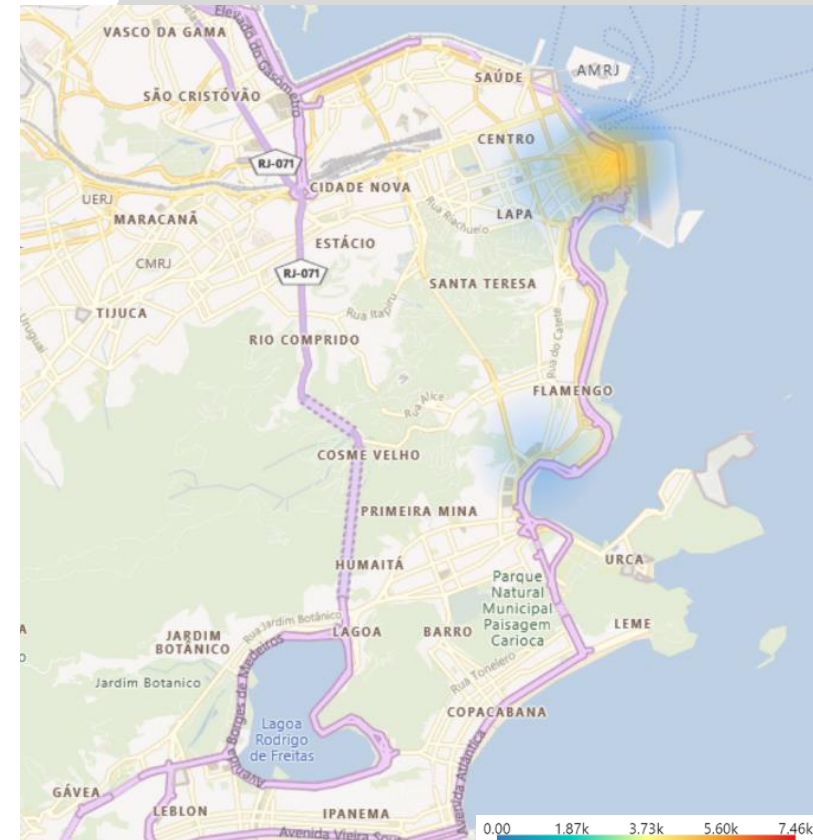
*The vacancy rate is calculated and established by Cushman & Wakefield, which takes into account the effective occupation, resulting in a vacancy of 35.7%. However, the commercial vacancy rate is considered by the leases in Rio de Janeiro CBD class A, closing the first quarter at 29.7%.

Leasing Activity - 2022Q1



During the first quarter of 2022, Rio de Janeiro leased 13,348 sq.m. *Centro* had the highest, with 11,408 sq.m of leased area, followed by *Orla*, with 1,940 sq.m. The highlight of the quarter was a 7,000 sq.m area leased by a public administration company. Rio de Janeiro still counts about 100,000 sq.m of leased area which may be occupied in the short term. As a result, reduction in the city's vacancy rate is anticipated.

Heat Map - 2022Q1



The leases recorded during the first quarter of the year are visible in the following heat map. In *Centro*, leases in the *Castelo* region were the main highlight, totaling more than 7,000 sq.m by a single company, and around 3,000 sq.m divided in two different buildings. *Cinelandia* also received some leases, summing more than 1,000 sq.m. In turn, *Orla*'s leases occurred in a single building, in the *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	902,834	308,315	34.1%	266	10,997	11,408	0	BRL 62.40	BRL 95.25
Cidade Nova	7	241,604	123,998	51.3%	0	0	0	0	BRL 62.68	BRL 66.67
Orla	12	158,576	51,297	32.3%	468	970	1,940	0	BRL 87.40	BRL 102.20
Zona Sul	5	30,745	5,490	17.9%	1,078	1,078	0	0	BRL 138.47	BRL 218.50
Porto	8	211,256	62,126	29.4%	-1,209	0	0	0	BRL 61.31	BRL 80.57
Barra da Tijuca	30	194,388	69,535	35.8%	2,864	2,864	5,389	0	BRL 52.19	BRL 73.30
Total CBD A	68	1,545,016	551,226	35.7%	603	13,045	13,348	0	BRL 64.90	BRL 88.78

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	AREA (sq.m)	TYPE
Bay View	Centro	MPRJ - Ministério Público do Estado do Rio de Janeiro	7,462	Lease
Torre Almirante	Centro	Undisclosed	1,246	Lease
Torre Oscar Niemeyer - FGV	Orla	Undisclosed	970	Lease
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Torre Almirante	Centro	Undisclosed	900	Lease
Ventura Corporate Towers - Torre Leste	Centro	Trident Energy Offshore	678	Lease
Linneo de Paula Machado	Centro	Office Total	642	Lease
Passeio Corporate - B	Centro	Undisclosed	480	Lease

*Renewals not included in leasing statistics

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