

ECONOMY SCENARIO

In the sphere of commerce, data from the Monthly Survey of Commerce for July 2022 show a decrease of 0.8% compared to the previous month in the volume of retail sales in the seasonally adjusted series. The Consumer Confidence Index (ICC) increased 0.5 points in July, 4.1 points in August, and ended the quarter with a growth of 5.4 points, impacted by the increase in consumer confidence in relation to the job market and by the improvement in the outlook for economic activity in the short term. Regarding the unemployment rate, the last Continuous National Survey by Household Sample (PNAD) registered, for the moving quarter ended in July 2022, a rate of 9.1%, a decrease of 1.4 p.p. compared to the previous quarter and 4.6 p.p. in the annual comparison. Regarding inflation, after a monthly variation of -0.68% in July, the CPI ended August with a fall of 0.36%. This result was mainly impacted by the transport (-0.72 p.p.) and communication (-0.06 p.p.) groups. In the last 12 months, the index accumulates a high of 8.73%, and in the year of 4.39%. The INCC - M (National Construction Cost Index - M) increased 0.33% in August and accumulated a high of 8.80% in the year and 11.40% in 12 months. The scenario of reduced inflationary pressure, associated with optimism about the job market and improvement in the business environment contributed to the fall of 4.2 in the IIE-Br (Economic Uncertainty Indicator) in August. Finally, Brazilian GDP increased by 1.2% in the second quarter in the seasonally adjusted series. In the annual comparison, the GDP grew 3.2%. From the perspective of production, Industry showed the highest growth with 2.2%, followed by Services with 1.3% and Agriculture and Livestock with 0.5%. From the perspective of demand, Government Consumption fell by 0.9%, on the other hand, household consumption and investments increased by 2.6% and 4.8%, respectively.

MARKET OVERVIEW

The third quarter of 2022 saw an increase in the number of transactions. 20 transactions were recorded, compared to 13 registered in the second quarter. The financial volume totaled BRL 2,209,956,771.95, and the total m² transacted was 342,007.94 m². In comparison with the previous quarter, the financial volume transacted was three times lower, although the number of transactions was higher in the current quarter. Compared to the same period of the previous year, in which 39 transactions were recorded, the financial volume was twice as low. In relation to the average cap rate of office, industrial and retail operations, there was a growth of 1.53 p.p. compared to the previous quarter, reaching 9.18% p.a. The office market recorded the greatest impact on average, followed by the industrial segment. The result is, in part, influenced by the maintenance of the basic interest rate at a contractionary level, considering that investors start demanding higher cap rates.

MARKET STATISTICS

PROPERTY TYPE	TRANSACTIONS	SALES VOLUME (BRL)	TOTAL SQ.M	PRICE/SQ.M	CAP RATE
Industrial	4	648.378.510,28	200.618,21	3.231,90	8,94%
Office	7	364.859.017,27	65.344,25	5.583,64	13,75%
Retail	9	1.196.719.244,40	76.045,48	15.736,89	6,01%
Total	20	2.209.956.771,95	342.007,94	6.461,71	9,18%

YOY Chg 12-Mo Forecast

1,2% GDP Q22022 (QOQ)	▲	▲
9,3% Unemployment Rate (Q22022)	▼	▼
8,73% IPCA (12 months)	▼	▼
12,11% Brazil 10-Year Bond Yield	▲	▼

Source: LCA

YOY Chg 12-Mo Forecast

9,18% Average Cap Rate	▲	▲
2,2bn Total Volume (BRL)	▼	▲
20 Total Properties Sold	▼	▲
342,0K Area (sq.m)	▼	▲

(all classes)

Office

During this quarter, seven transactions in the office market were recorded. Five assets were traded in São Paulo, and two in Rio de Janeiro, totaling 65,344.25 m². The total financial volume was BRL 364,859,017.27. The average cap rate of transactions grew by 7.05 p. p compared to the previous quarter, in which 2 transactions were recorded, both quite significant in terms of financial volume. The result of this third quarter was mainly impacted by the transaction of the Onix Corporate building (SP), with an estimated cap of 11.77% p.a.

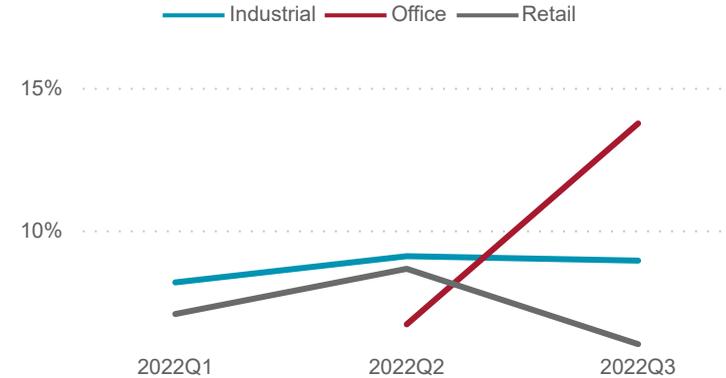
Industrial

The Industrial market had four transactions this quarter, involving assets in Minas Gerais, São Paulo and Pernambuco, totaling 200,618.21 m² transacted and a financial volume equivalent to BRL 648,378,510.28. The average cap rate was 8.94% p.a. mainly influenced by the transaction of the LOG Betim II project, in Minas Gerais, with an estimated cap of 11.75% p.a.

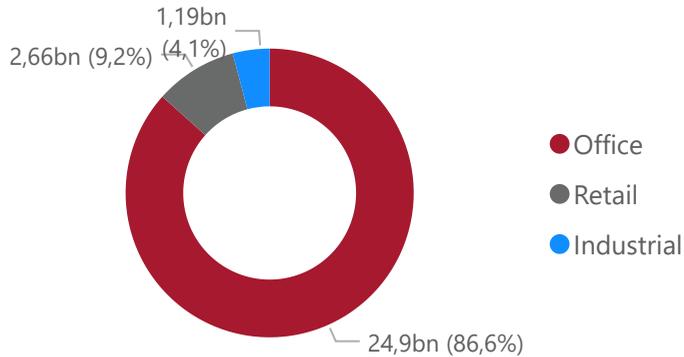
Retail

The retail segment presented nine transactions in the third quarter, totaling 76,045.48 m². The assets are in São Paulo, Paraná and Santa Catarina. The total financial volume was BRL 1,196,719,244.40. Thus, the average retail cap rate was 6.01% p.a., down 2.64 p.p. compared to the last quarter. The transactions with an average impact were related to the sale of six units of the Casas Pernambucanas store by the CSHG Renda Urbana - FII fund, all with a cap rate of 6.00% p.a.

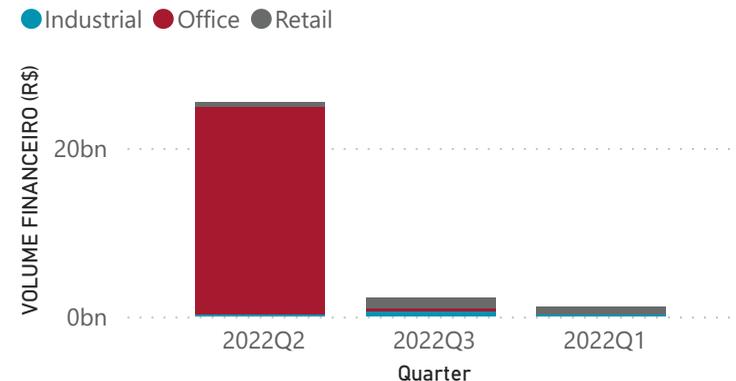
CAP RATE TRENDS BY SECTOR



2022 YTD CAPITAL VOLUME BY PROPERTY TYPE



CAPITAL VOLUME (BRL) BY PROPERTY TYPE



MAIN TRANSACTIONS

In the Office market, the highlight is the sale of the Onix Corporate building, located in the Leblon district of Rio de Janeiro. The project was sold by PRS XI Incorporadora Ltda to FII Central Leblon, for BRL 54,700,000.00, totaling 2,682 m² transacted. In the logistics sector, LOG Commercial Properties concluded the sale of the asset LOG Betim II, located in Betim, Minas Gerais. The asset acquired by CSHG Logística – FII has a gross leasable area equivalent to 95,730 m² and is under construction, Built to Suit. The transaction amount was BRL 244,327,860.00. In the retail segment, the transaction of Shopping JK Iguatemi, located in the Vila Olímpia neighborhood in São Paulo, stands out. Iguatemi S.A acquired a stake in Adeoti Empreendimentos Imobiliários Ltd, corresponding to 36% of the asset for BRL 667 million. The total area transacted was 12,368.88 m². With the transaction, Iguatemi S.A now holds 100% of the mall.

NAME	PROPERTY TYPE	BUYER	SELLER	TOTAL SQ.M	PURCHASE PRICE (BRL)	PRICE / SQ.M	REGION
Shopping JK Iguatemi	Retail	Iguatemi S.A	Adeoti Empreendimentos Imobiliários Ltda	12.368,88	667.000.000,00	53.925,66	JK
Onix Corporate	Office	FII Central Leblon	PRS XI Incorporadora LTDA.	2.682,13	54.700.000,00	20.394,24	Zonal Sul
LOG Betim II	Industrial	CSHG Logística - FII	LOG Commercial Properties	95.730,00	244.327.860,00	2.552,26	Betim

PROJECTIONS AND TRENDS

Expectations for the end of 2022 are for economic activity to decelerate, considering the cooling of developed economies, especially the United States. In view of the recessive fear, the Fed must fight inflation more firmly, and has already indicated that it will apply a more restrictive monetary policy. With high interest rates in the US, the dollar rises, making it difficult to fight inflation in Brazil. Regarding the country's fiscal situation, expectations regarding the debt/GDP trajectory are not favorable, as fiscal risk grows. During the third quarter, the real estate market continued to perform well. The office market is still advancing gradually, due to companies' decisions regarding the resumption of offices, maintenance of the hybrid model, or home office. The logistics and retail sectors continue to be strong, supported by e-commerce and the resumption of sales, respectively. The expectation is that the retail and logistics segments will continue to advance more quickly than the corporate offices. Regarding real estate funds, the expectation is that brick REITs will appreciate in the long term, and the paper segment will continue to benefit from the scenario of inflationary pressure in the medium and long term.

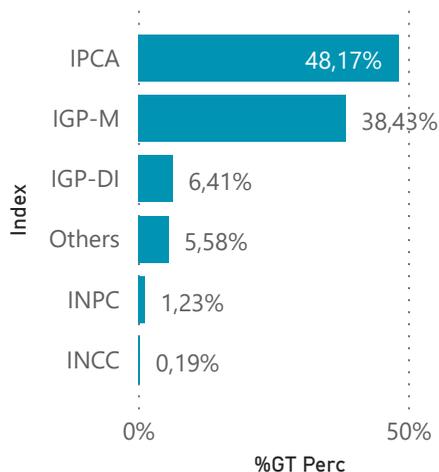
1.43%
Average 3 months DY (2022Q3) ▲

7.69%
Average 12 months DY (2022Q3) ▲

0.82
MC/Net Worth ▼

5.43%
Average profitability (2022Q3) ▲

Revenue from rent by indexes



REAL ESTATE FUNDS

According to data from B3, the Brazilian real estate investment fund market currently comprises 413 listed REITs and approximately 1.8 million investors. The accumulated variation of the IFIX index in the third quarter of 2022 was 6.92%. In July, the index showed a positive change of 0.66% MOM, followed by 5.76% MOM in August, and 0.50% MOM in September. Regarding the indexation of the contracts of the REITs that are monitored, according to data referring to the second quarter of 2022, the IPCA is the most relevant index, being used as a reference in 48.2% of the contracts, followed by the IGP-M, used in 38.4%. In comparison with the first quarter, there was a drop of 13.5% in the number of contracts indexed to the IGP-M, compared to a growth of 12.2% in the number of contracts indexed to the IPCA. Regarding the results, brick REITs continue to trade at attractive levels on average, with well-priced spreads in relation to long-term NTN-Bs. Paper REITs continue to offer opportunities to investors in the face of pressured inflation, which has a positive impact on profitability and income distribution in the segment.

Portfolio Area by sector (sq. m)



Lease contracts by renewal date



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Note: 260 REITs were considered in this report