Outsourcing lease management and real estate transactions.

It is part of Brazilian culture for one to think that he can take care of everything. One knows how to negotiate anything, one does not need help – why outsource? Therefore, traditionally, the topic of real estate in large local companies is dropped in the hands of one of several departments, generating more problems than solutions. In some firms it falls to the Financial and/or Administrative department, since real estate generates cost; sometimes it is handed to HR, since property is where our people are, and our people need the care of HR to have the proper work environment. Later, when it comes to identifying a new property, all directors want to become involved, all want to have their say; HR and Financial/Admin start disagreeing on the issue comfort vs cost, the Purchasing team gets involved since, generally, they have a rule to buy the cheapest and want to ensure that this rule is followed. The final decision may stay in the hands of one of the directors, but more often than not the CEO ends up involved because an end needs to be put to indecision. He spends more time than he needs to because no-one can present a complete picture.

Then come those painful questions that many large companies have and are unable to answer: how many properties do we have? How many square meters do we occupy? Are we paying too much rent? Do we own unused property? These are basic questions yet sometimes are not even raised, due to simple ignorance of the real estate processes and real estate legislation. Considering that real estate costs can reach between 4% and 6% of revenue, these are definitely important questions. The problem is that the employee responsible has a load of other tasks that he needs to do for his director, day-to-day corporate issues, such as pay-roll, production, contracts with suppliers, etc, So there is no focus on real estate. Mistakes occur, costs increase, opportunities are lost. Often the employee responsible does not even know what it means to register a property in the “Property Register”. There are several other typical issues which go unnoticed or ignored, such as:

Right to Renew the Lease: in Brazil a company that has occupied a property under leases for 5 consecutive years or more has the right, by statute, subject to having followed some rules, to demand the renewal of his lease at a market rent. But this right must me exercised prior to 6 months before lease end, otherwise it is lost. The result of losing the opportunity can be costly, since the landlord has no obligation to renew the lease, let alone at a market rent.

Right to a Rent Review: naturally nothing stops one party to call the other at any time and try to renegotiate rent, but in Brazil legislation allows the rent to be reviewed at any time after the end of the third year of the term. If the rent is high in relation to market levels, the tenant can and should renegotiate.

Critical Dates: Depending on the lease, there can be about 15 critical dates, including the two mentioned above. To manage this for a couple of leases is easy, but for a portfolio of leased properties spread around Brazil this becomes something quite complex. Other critical dates include, for example, renewal of the property insurance and renewal of the lease guarantee (often a bank letter of credit with yearly renewals).

Property “Regularization”: There are issues not related to dates and which, especially if the property is owned, can become costly if not resolved. It is the case of Property Regularization, a complex topic in Brazil, especially if the property was not built in accordance with, among others, zoning laws. This means having city hall approvals in accordance with zoning laws; it means correctly registering the property and improvements in the Public Property Registry, property tax being charged over the correct built area, providing proper access to the disabled, among infinite other issues.

Brazil is a few years behind these developments in the real estate sector. Few large local companies with a national presence outsource the management of their real estate, but slowly things are changing. Ocupantes, maybe because it is the only firm to be present in 15 state capitals, has recently won contracts with three large companies that have opted to outsource their operations of site search and real estate transaction. One is from the retail sector, one from the financial and the other from the service sector.

Is this a sign that the outsourcing of real estate has reached Brazil? We hope so. ■

Thomas Govier
Director of Corporate Services,
Member of the RICS - Royal Institution of Chartered Surveyors.
20 years' experience in Real Estate

HIGHLIGHTS

SÃO PAULO
Despite the worsening of the international crisis, São Paulo has a promising start to the corporate real estate market in 2009.

RIO DE JANEIRO
With the complete occupation of the Ventura Corporate Plaza, vacancy rates fall to critical levels.

ABCD and ALPHAVILLE
Green Valley complex becomes a question mark.

SUCCESS STORIES

Two years later, Hargos again retains the services of Ocupantes to conduct their office expansion on the Paulista Avenue.

OUR SERVICES

For offices, industries or retail, our services are:

- *Relocations*
- *Rent Reviews and Lease Renewals*
- *Lease Terminations*
- *Management of Opportunities and Critical Dates*
- *Valuations*
- *Divestments*
- *Build-to-Suit*
- *Sale & Leaseback*
- *Project Management*

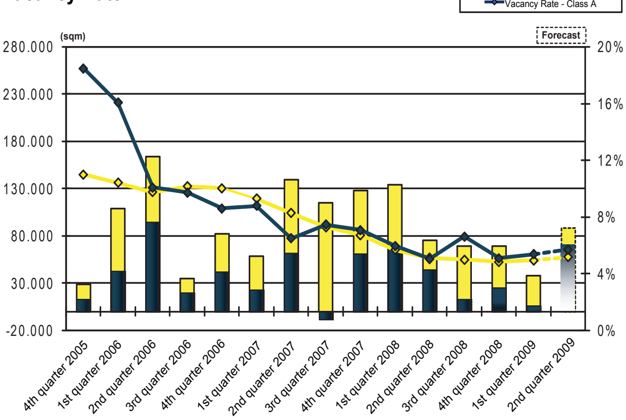
PRESENCE IN:

SÃO PAULO	SALVADOR
RIO DE JANEIRO	RECIFE
BELO HORIZONTE	ARACAJU
GOIÂNIA	JOÃO PESSOA
FLORIANÓPOLIS	MACEIÓ
PORTO ALEGRE	FORTALEZA
CURITIBA	NATAL

www.ocupantes.com
Rua Fernandes Moreira, 1.166, 4º andar
04716-003, São Paulo - SP, Brazil
Tel. (+55) 11 5182.3455

DESPITE THE WORSENING OF THE INTERNATIONAL CRISIS IN 2008, SÃO PAULO HAS A PROMISING START INN THE CORPORATE REAL ESTATE MARKET.

Graph 1 - Net Absorption and Vacancy Rate

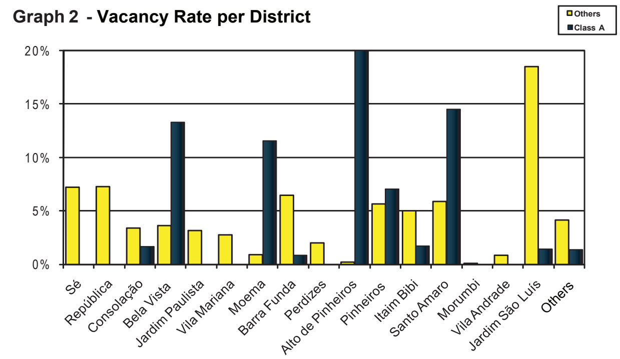


Net Absorption and Vacancy Rate (Graph 1) – 2009 starts with expectation on how the market for corporate Office space will react to the international crisis. Although any forecast will be premature, the numbers are promising: there were no great changes, at least nothing that can be blamed exclusively on the crisis. The vacancy rate in the city rose from 4.88% to 5.01%, that is, an increase of only 0.13 percentage points from the last quarter of 2008. This is a low vacancy rate. The vacancy rate in the Class A* segment rose from 5.09% to 5.36%; this small rise, however, is owed mainly to the delivery of two new buildings, Towers A and B of the "WT Nações Unidas", in the Pinheiros District, with an added total of 29.415 m². The forecast given in the 4th quarter of a higher absorption in the 1st quarter of 2009 was due to the pre-lease of two buildings, but those deliveries (and therefore the date which we consider the occupancy date) have been postponed. That forecast has moved to the 2nd quarter of 2009, when absorption will be higher than in the 1st quarter. With deliveries expected, vacancy rate should also rise.

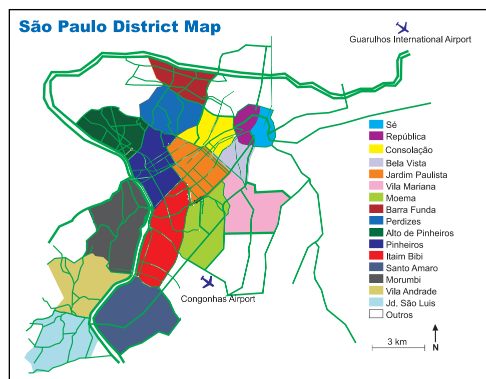
Market Indicators

Vacancy Rate	↗
Net Absorption	↘
New Stock	↘
Construction Ativity	↗

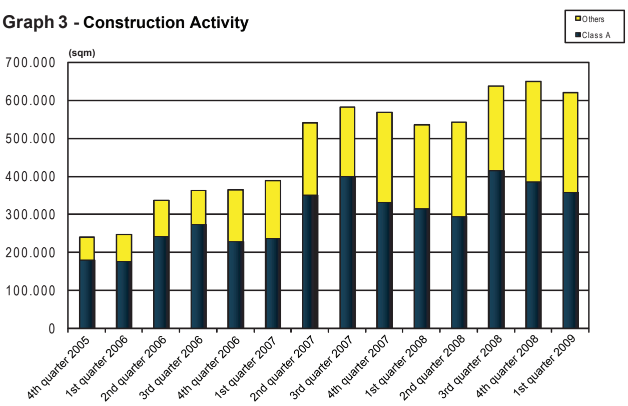
Graph 2 - Vacancy Rate per District



Vacancy Rate by District (Graph 2) – 4 districts were of note in the 1st quarter of 2009. For the Class A sector, an additional 1,300 m² were leased at the Torres Empresariais do Ibirapuera, in the Moema district. In the Alto de Pinheiros district, 5,249 m² were vacated due to the relocation of Odebrecht into the new Eldorado Plaza; this move helped the vacancy in Alto de Pinheiros to rise from 0% to 22.06%. In Pinheiros the delivery of Towers A and B of the WT Nações Unidas, with over 29,000 m², has caused the vacancy to rise from 3.02% to 7.09%, despite occupation of the Eldorado Plaza and one of the towers of WT Nações Unidas itself. In the "Others" (non-class-A) segment of the market, over 17,000 m² has been occupied in Vila Mariana, at the Lex Offices Tower, reducing vacancy in the district from 6.29% to 2,79%. In the other districts only small variations have occurred.

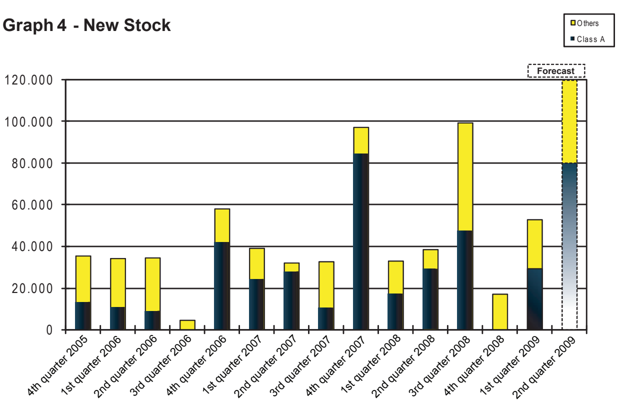


Graph 3 - Construction Activity



Construction Activity (Graph 3)
In the 1st quarter 2009 no impact has yet been felt on office building sites. The numerical difference shown here is only due to the delivery of the afore-mentioned WT Nações Unidas and the start, on the other hand, of work on the Superia Moema Corporate, in Moema, with a planned floor area of de 7,252 m². In the "Others" segment there has been no change compared to the previous quarter.

Graph 4 - New Stock



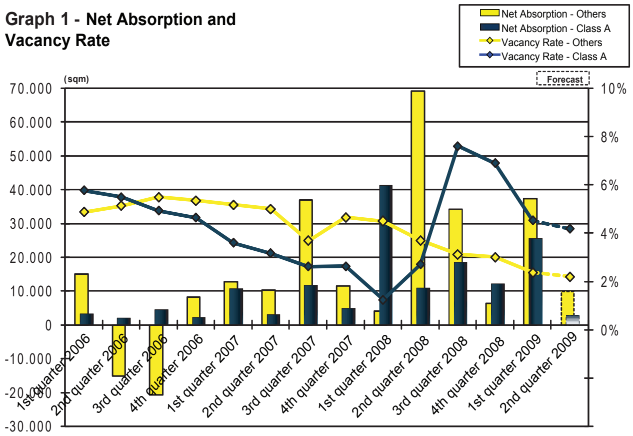
New Stock (Graph 4) – Delivery in the 1st quarter 2009 was just over 50,000 m². In the Class A segment, the two towers of the WT Nações Unidas add up to 29,415 m² delivered in the Pinheiros district. In the Others segment, there were 4 buildings delivered: Atlanta Office Center, with5,242 m², in the Saúde district; Lex Offices II, with 5,400 m², in Vila Mariana; "977 Campinas", with 3,000 m², in Jardim Paulista and Torre São Paulo, with 9,440 m², in Bela Vista. Two large Class A developments have had their delivery dates postponed to the 2nd quarter 2009: International Plaza II, with 12,800 m² and WT Torre São Paulo, with 67,000 m². The significant increase is expected to be accompanied by a significant increase in absorption, since the WT Torre São Paulo shall be totally occupied by Banco Santander, while the International Plaza II, according to the developer, is already 60% pre-leased.

** Class A: Buildings delivered after 1988, with a leasable area of 700 m2 per floor-plate, and high technical standards.*

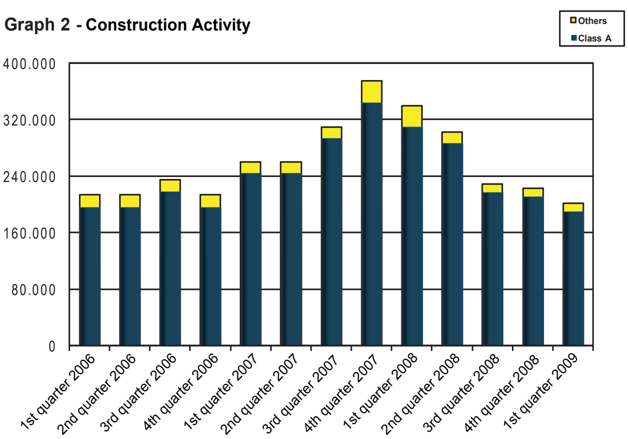
*** Ocupantes works with information supplied by constructors and developers.*

WITH THE COMPLETE TAKE-UP OF THE VENTURA CORPORATE PLAZA, VACANCY RATES IN RIO RETURNS TO A CRITICAL LOW

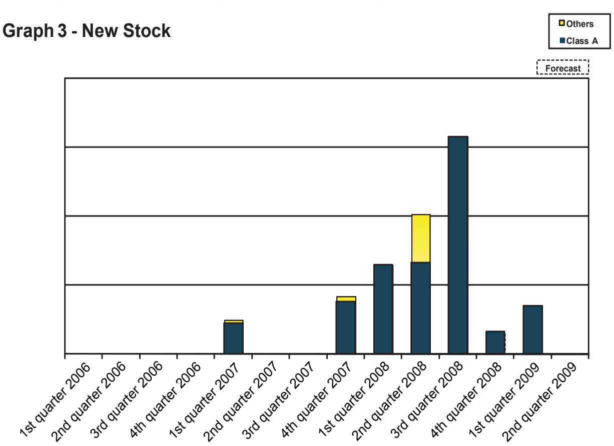
Graph 1 - Net Absorption and Vacancy Rate



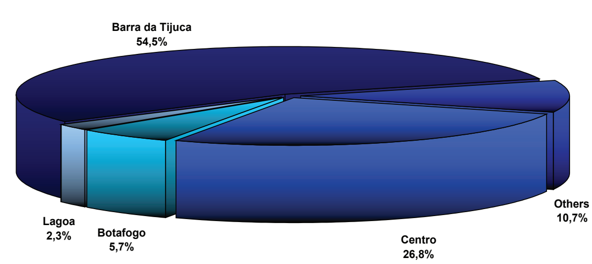
Graph 2 - Construction Activity



Graph 3 - New Stock



Graph 4 - Total Stock - Class A (Multi-occupier) Distribution by District



Net Absorption and Vacancy rate (Graph 1) – The vacancy rate of the Class A segment continues to fall, despite the delivery of new stock in the last few quarters. The momentary jump seen in the 3rd quarter 2008 was due to the delivery of the Ventura Corporate Plaza which is now totally leased. The trend is that vacancy shall continue to drop, since there is hardly any space available in all market segments.

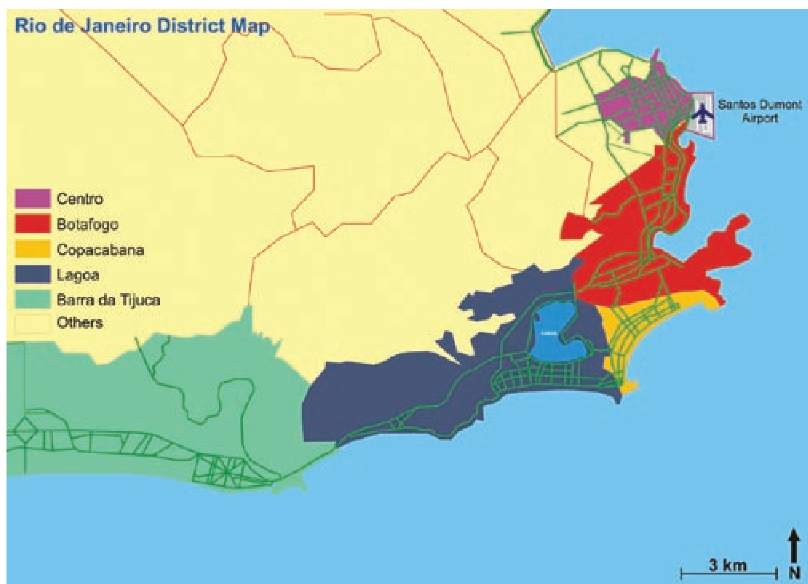
Market Indicators

Vacancy Rate	↘
Net Absorption	↗
New Stock	↘
Construction Activity	↗

Construction Activity (Graph 2) – Observing the statistics for the last two years, it is clear that investments in new developments have been turned to the Class A segment and that absorption has been fast. Despite this, no work has begun on any new development in the 1st quarter 2009. In the case of Class A, the fall in construction activity shown in the 1st quarter 2009 compared to the 4th quarter 2008 is due to the completion and delivery of buildings. A couple of new projects are expected to start in the 2nd quarter.

New Stock (Graph 3) – Of the more than 30,000 m² Class A stock expected to have been delivered in the 1st quarter 2009, only 13,954 m² (the Le Monde Londres in Barra da Tijuca) has been concluded. Accordingly, some deliveries have been moved up to the next two quarters.

Total Stock (Graph 4) – With very little availability of sites for new development, the "Centro" region of Rio, that has been boosted by the delivery of the Ventura Corporate Plaza, should see more retrofits. Yet, with limited alternatives in Centro, the Class A market will continue to grow in the Barra da Tijuca region, which once had almost 60% of the Class A stock in Rio. At present it answers for 54.5%.



** Class A: Buildings delivered after 1988, with a leasable area of 700 m2 per floor-plate, and high technical standards.*

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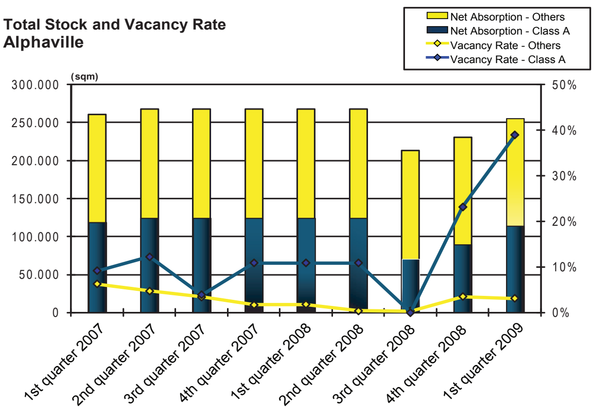
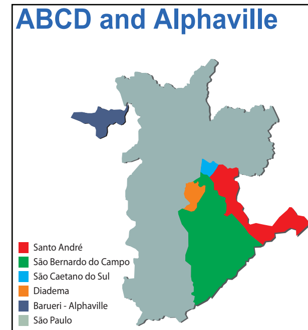
OCUPANTES is the first Brazilian Real Estate consulting firm to exclusively represent corporate end users in Brazil. It is composed of highly skilled professionals with ample experience representing Brazilian and multinational companies.

The Green Valley complex becomes a question mark

The "edge city" of Alphaville continues do be the focus of heavy growth in Greater São Paulo. During the 1st quarter 2009, 24,373 m² of Class A space were delivered in the two towers of the Centro Empresarial Araguaia (t. Araguaia Business Center). With this delivery, the vacancy rate of Class A space in Alphaville has jumped to 39%. No negotiations have been completed by the time of closing of research for the 1st Quarter, and it remains to be seen if this will be a development to serve as a thermometer for a possible changing market and the global crisis. The Green Valley complex, which was supposedly in a process of being vacated for future redevelopment, has extended leases of existing tenants from mid 2010 by another two years. It appears that the redevelopment proposal has been replaced by a not so bold Project, one that includes partial development while tenants are still in occupation. By the time research was concluded for this Market Bulletin, the full project had not yet been divulged. In this way, our statistics will continue counting Green Valley as part of the Alphaville office stock.





ABCD - Our research also covers the four cities in Greater São Paulo that form the ABCD region. These are small markets, and statistics for these cities have not suffered material changes since the 4th quarter of 2008.

SUCCESS STORIES

Two years later, Hargos again retains Ocupantes to conduct their Office expansion Project on the Paulista avenue.

Hargos
Recuperação de Créditos & Gestão de Risco

Repeat business for Ocupantes has been good. The latest example is that of Hargos, a thriving Credit Recovery company with experienced professionals.

In February 2007, Hargos, then a young company, needed to expand its space needs from 320 m² to 800 m². Hargos reached Ocupantes through the good experience on of the employees had had with us at another company.

Nearly two years later, having experienced strong growth, Hargos needed an additional 500 m², fast. Without second thought, Ocupantes was contacted, with the mission of, if at all possible, finding space in the same building, then fully occupied.

As of November 2008, Ocupantes worked on two fronts. One front searched for alternatives in the under-supplied surrounding region, with the traditional Ocupantes approach of not letting one stone unturned. The other front did no leave any unturned stones either, which was to approach every single occupier of the building to see who might have any thoughts of moving. This work front was successful: Ocupantes identified two tenants that showed interest in moving out, one of which did. The space was vacated and by January 2009 Hargos was able to start fit out works; they moved in during February. Ocupantes was given the task to negotiate the best possible terms and was able to achieve excellent results for the client.

Padre Manoel da Nóbrega, São Paulo - SP