

## In search of a more suitable location



The Italian based Maire Tecnimont Group operates in 30 countries worldwide employing 4,300 people. The Group is a specialized civil engineering contractor, dedicated to the oil & gas, petrochemical and fertilizer industries. Their complex operation demands a sizeable back-office. Although the company develops business projects for the Brazilian market, the recent measures taken in light of head office policy required optimization and the downsizing of teams.

The fact is this decision brings consequences. The company operated out of an office on Av. Paulista, in the city of São Paulo. The leased space totaled 1,133 m<sup>2</sup>, an adequate space suitable for the company's needs and the number of employees. After the corporate policy was put into effect, the leased space became excessive, resulting in unnecessary costs and impacting financial results.

The need to relocate to a more suitable space at lower cost was self-evident. However, the lease expiry date was still 3 years away. The option for lease termination would land Technimont with high penalty charges, including all the corresponding lease charges, including CAM, property tax (IPTU) and rent, all due by Technimont until lease expiry date. Furthermore, there was the additional cost of refurbishing the space to deliver it back to its original

condition, removing all the internal improvements and office furniture.

Once Ocupantes became engaged and fully briefed on the details of the assignment, the clear objective was to find a solution where the client would not be required to pay the penalties for early termination. This was not the only challenge – locating a new space for the client's activities was an integral part of the assignment.

The consultancy services began with the research and marketing of the space. These initiatives resulted in identifying a company willing to take the entire space, making use of the existing facilities and office fittings. It was a complex transaction, encompassing five contracts between the landlord, Maire Techimont Group and the new tenant. The success of the transaction managed by **Ocupantes** resulted in net savings of R\$ 4 million for the client.

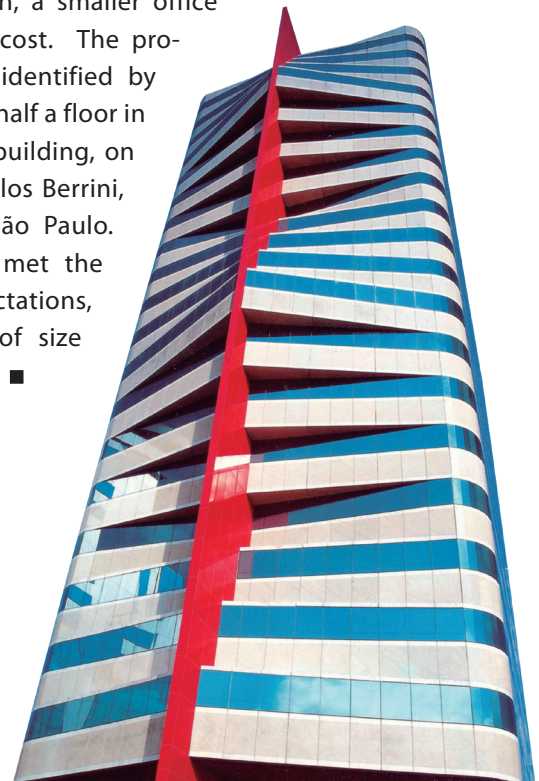
At the same time, the client also accepted the proposed relocation option, a smaller office and at a lower cost. The proposed solution identified by **Ocupantes** was half a floor in the Berrini 500 building, on Av. Eng. Luis Carlos Berrini, in the city of São Paulo. The new lease met the client's expectations, both in terms of size and rent value. ■



**Haroldo Lopes**

Haroldo Lopes is Director of Corporate Services at Ocupantes. He has a Bachelor's degree in Business Administration from Mackenzie University in São Paulo. With an in-depth knowledge of and experience in executing tenant representation services for corporate clients, Haroldo joined Ocupantes in 2004, having taken part in differing key Brazilian real estate markets in the office, industrial and retail segments.  
CRECI 70.954

Facade of Berrini 500



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- Market Surveys and Comparative Analysis
- Transaction Management (including BIS and Sale & Leaseback operations)
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- Contract Management
- Valuations, Dispositions and Deliveries of Spaces upon Lease Terminations
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## Vacancy levels on the rise and a decline in constructive activity



\* Comparing 2<sup>nd</sup> quarter 2014 with 1<sup>st</sup> quarter 2014

Contrasting with the previous three quarters, vacancy in Class A shows an upward trend, leaping from 16.97% to 18.37% in this 2<sup>nd</sup> QTR 2014. One of the key reasons for this increased vacancy is the downturn of the Brazilian economy, which in turn reflects on the occupation levels, bringing about a drop in Net Absorption in Class A buildings – the lowest level in the past 4 quarters. In parallel, the same indicator for buildings classified as Others, equally maintained a negative trend for the quarter – highlighting the migration of occupiers from buildings classified as Others over to Class A buildings, a trend that has now been occurring for the past 6 quarters.

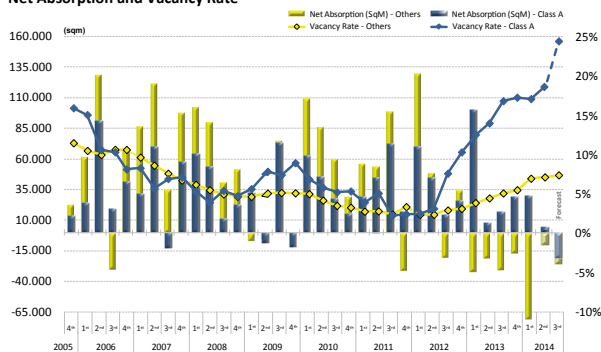
Likewise as the previous quarter, the delivery of new developments over the 2<sup>nd</sup> QTR 2014 was not that significant. Approximately 50 thousand square meters were delivered in Class A. Several developments encountered delays as a result of delays in the issue of City Hall occupation permits, notably the two towers of the LWM (20,816 m<sup>2</sup>) delayed to 3<sup>rd</sup> QTR 2014. Hence, the delivery forecast is expected to be 200 thousand square meters for the 3<sup>rd</sup> QTR 2014.

Gross absorption figures for Corporate developments were significant for the 2<sup>nd</sup> QTR 2014, reaching approximately 75 thousand square meters. A noticeable highlight are Class A buildings, which represent 50 thousand square meters.

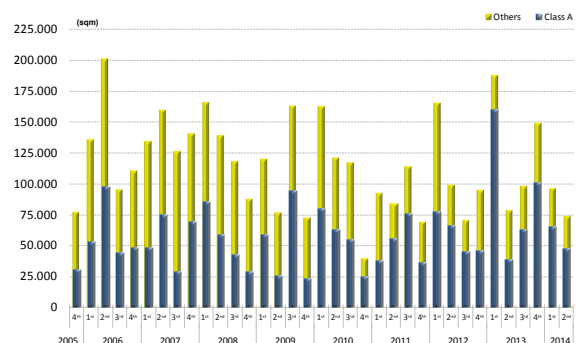
### Downward trend in the constructive activity

The 2<sup>nd</sup> QTR 2014 was marked by a decline in the constructive activity, from 1.23 million down to 1.16 million square meters in Class A buildings and from 65 thousand down to 38 thousand square meters in buildings classified as Others. \*\*

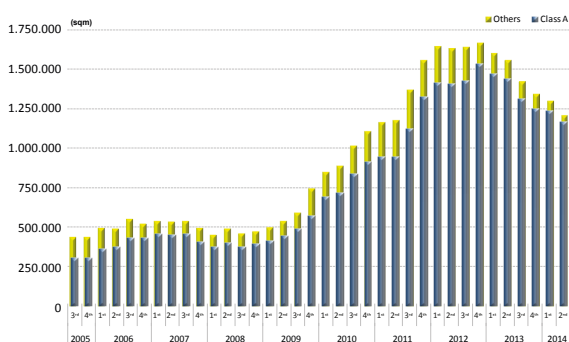
Net Absorption and Vacancy Rate



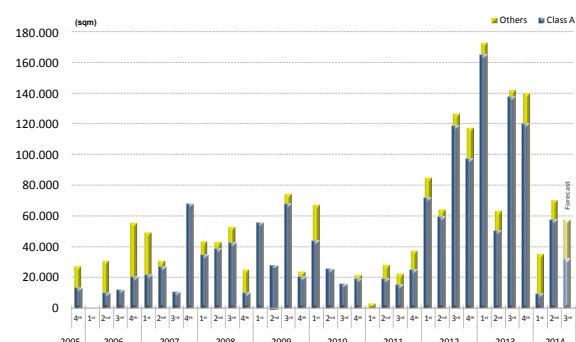
Gross Absorption



Construction Activity

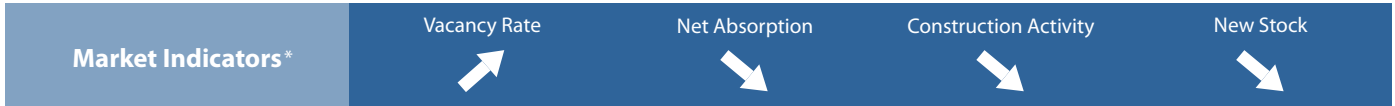


New Stock



\* The methodology used for the classification of office buildings is based upon the Building's classification criteria, where: Office: includes buildings with unit sizes under 100 m<sup>2</sup>; Corporate: buildings with unit sizes greater than or equal to 100 m<sup>2</sup>; Class A: buildings with AAA, AA and A in the Building's classification; Others: buildings including BB, B and C in the Building's classification. For the purposes of this report, only buildings classified as Corporate were considered.

## Vacancy in Class A Buildings increases in Rio de Janeiro



\* Comparing 2<sup>nd</sup> quarter 2014 with 1<sup>st</sup> quarter 2014

Vacancy in Class A buildings continued on the rise in Rio de Janeiro. The vacancy rate of approximately 12% climbed to 13.89% in this 2<sup>nd</sup> QTR 2014. The vacancy rate in the buildings classified as Others remained at 3%.

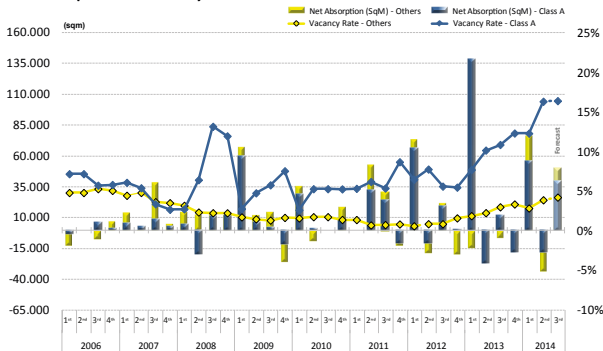
In contrast with the previous quarter, net absorption in the 2<sup>nd</sup> QTR 2014 was negative, equally for Class A as well as Buildings classified as Others. This same phenomenon was also noticeable in the 4<sup>th</sup> QTR 2013. In total, the negative net absorption reached 35 thousand square meters.

After an extremely elevated gross absorption rate in corporate office buildings over the 1<sup>st</sup> QTR 2014, figures for the 2<sup>nd</sup> QTR 2014 reflected a natural decline, considering figures for the previous quarter had been significantly above average. Total absorption reached 32 thousand square meters, of which 10 thousand square meters were in Class A.

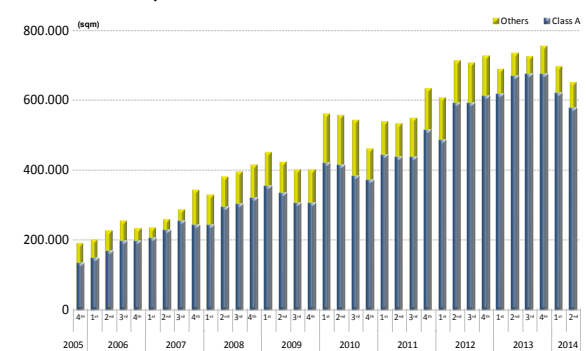
### New deliveries postponed to the 3<sup>rd</sup> QTR

A decline in the constructive activity during this 2<sup>nd</sup> QTR 2014 was observed, a drop from 700 thousand square meters down to 650 thousand square meters. For Class A buildings constructive activity fell from 620 thousand down to 580 thousand square meters. The outcome of the downward trend in economic activity is developers no longer have the urge to expedite deliveries – in fact, some developments have been put on hold, waiting for more favorable market conditions. The delivery forecast for 3<sup>rd</sup> QTR 2014 stands at approximately 70 thousand square meters, of which 49 thousand square meters in buildings classified as Class A. \*\*

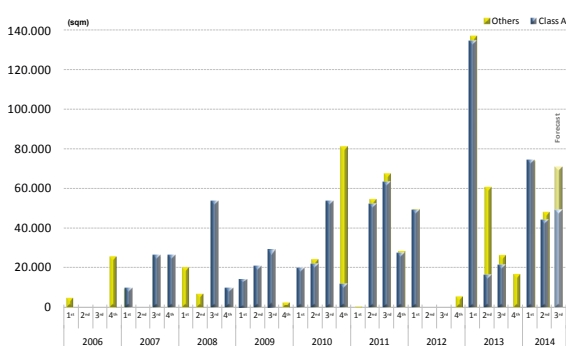
Net Absorption and Vacancy Rate



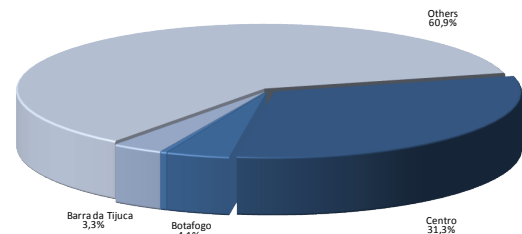
Construction Activity



New Stock



Construction Activity Distribution by District

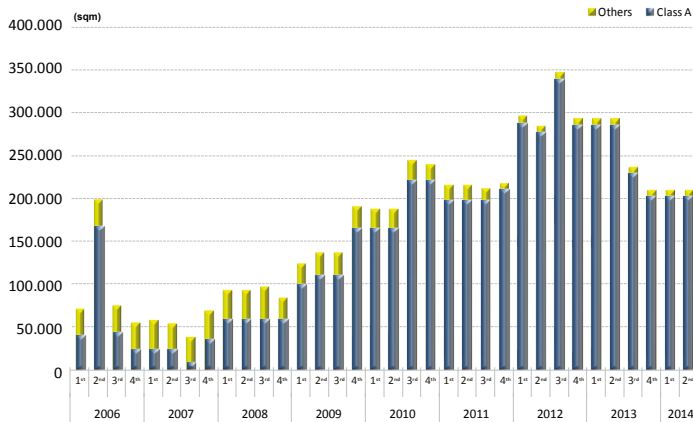


\*\* The data used by Ocupantes is extracted from the Buildings system.

Previous trends should not be taken as indicators for future trends. Ocupantes will not be held liable for any decisions taken based upon the information contained herein.

## Vacancy levels drop in Alphaville with no additional new stock

### Construction Activity



relatively stable over the past three quarters, closing the 2<sup>nd</sup> QTR 2014 with 210 thousand square meters, of which 200 thousand in Class A.

- In contrast with the 1<sup>st</sup> QTR 2014, which was marked by a high-level of deliveries of new buildings, deliveries over the 2<sup>nd</sup> QTR 2014 were nonexistent. Anyhow, the forecast for the following quarter is a delivery of 30 thousand square meters.

- As an outcome of the lack of additional stock, a downward trend in vacancy levels is noticeable in the 2<sup>nd</sup> QTR 2014, after two quarters of upward trend, equally in Class A buildings as in those considered as Others. The quarter came to a close with vacancy levels at 47.80% for Class A, while Others settled at 26.83%.

- The constructive activity in Alphaville remained

## Success Stories - Bio-Rad: ensuring no lack of continuity in the Brazil operation



Continued technological progress over all industries is very striking. Curiously, one does not often question who or what is behind this progress. The U.S. based multinational Bio-Rad is one of the big players in this industry, since its inception in 1952. Bio-Rad develops, manufactures, and markets a broad range of innovative tools and services to the life science research and clinical diagnostics markets. The company services globally 100 thousand clients and employs 7,750 people.

Bio-Rad's Brazilian operation was based in a house, located on Av. Rebouças, in the city of São Paulo. Recently and unexpectedly the landlord requested Bio-Rad to vacate the property on the grounds they would set up their own offices. At first, it was not understood as an urgent demand, until the moment the landlord filed an eviction lawsuit with Bio-Rad.

Upon being engaged, **Ocupantes** was faced with the

challenge of promptly identifying a new space for the relocation of the Bio-Rad office, literally a race against time, as evidently the client's operation could not suffer with any downtime whatsoever.

Furthermore, the proposed relocation would have to be submitted for the approval of the U.S. head office. As deadlines had completely expired, **Ocupantes** represented the client securing temporary office space with Regus. Finally, Ocupantes was then able to secure a full floor in the Golden Tower – in the Morumbi Corporate complex, of 1,402 m<sup>2</sup>, which were duly occupied by Bio-Rad, after approval was secured from the U.S.. As a result, the activities of Bio-Rad encountered no downtime, reaching therefore the established project goal. ■

Facade of Morumbi Corporate - Golden Tower

