

MARKET BULLETIN

3ND QTR 2017 • SÃO PAULO | RIO DE JANEIRO | OTHER CITIES

OFFICES

SÃO PAULO



VACANCY
RATES



AVERAGE
ASKING PRICES

RIO DE JANEIRO



VACANCY
RATES



AVERAGE
ASKING PRICES

INDUSTRIAL

STATE OF SÃO PAULO



VACANCY
RATES



AVERAGE
ASKING PRICES

STATE OF RIO DE JANEIRO



VACANCY
RATES



AVERAGE
ASKING PRICES

MARKET BULLETIN IS A QUARTERLY PUBLICATION PROVIDING THE KEY MARKET INDICATORS FOR THE CORPORATE REAL ESTATE (OFFICE AND INDUSTRIAL) MARKETS OF SÃO PAULO AND RIO DE JANEIRO.

TAKE A LOOK AT THE COMIC STRIP OVERLEAF

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OFFICES

CONSTRUCTION ACTIVITY
671.287 m²

NEW STOCK
2.139 m²

NET ABSORPTION
58.064 m²

GROSS ABSORPTION
268.769 m²

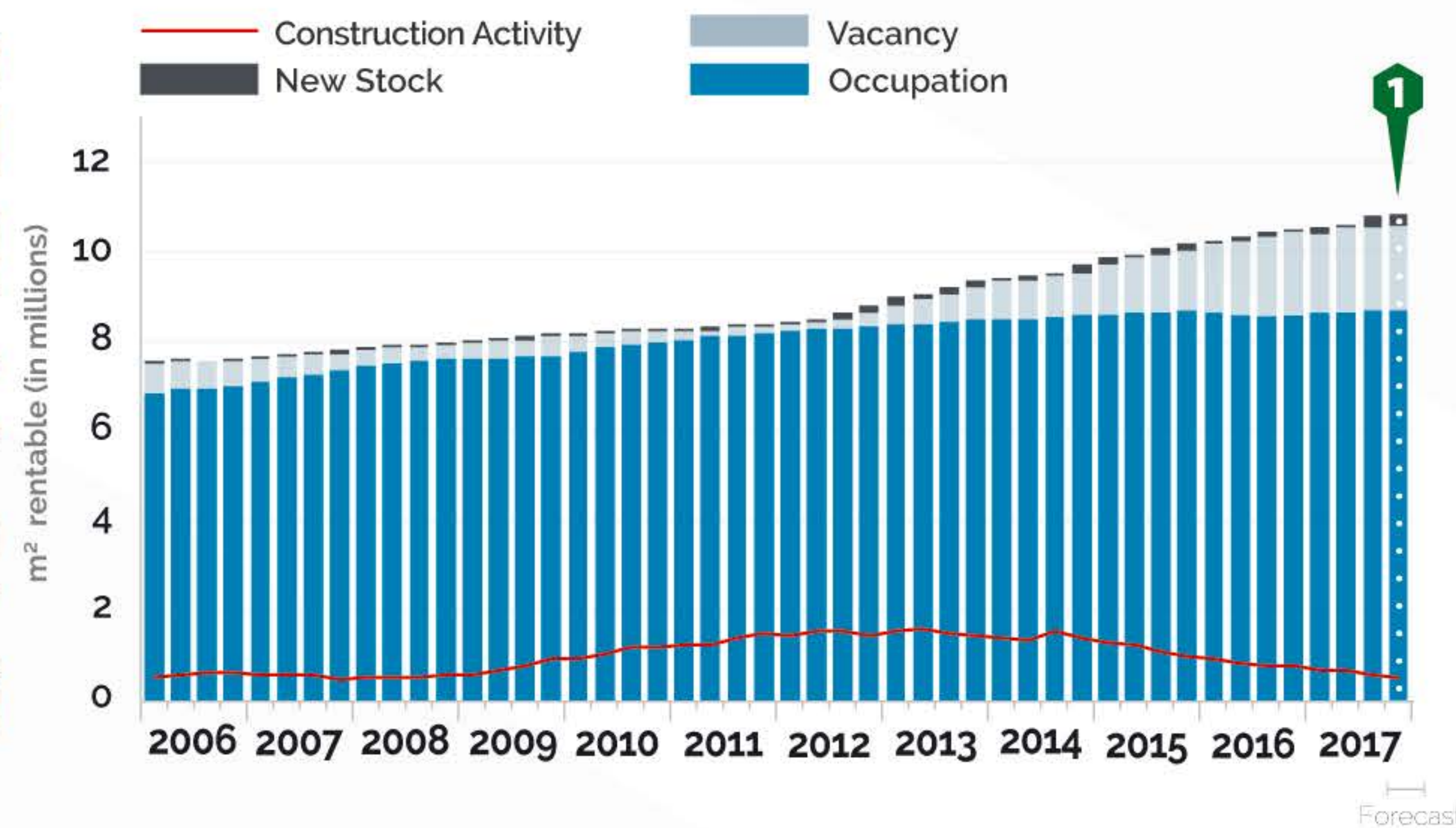
VACANCY RATE
17,64%

AVERAGE ASKING PRICE

Considering corporate office buildings only (Class A and Others)

SÃO PAULO

NEW STOCK/VACANCY/OCCUPATION

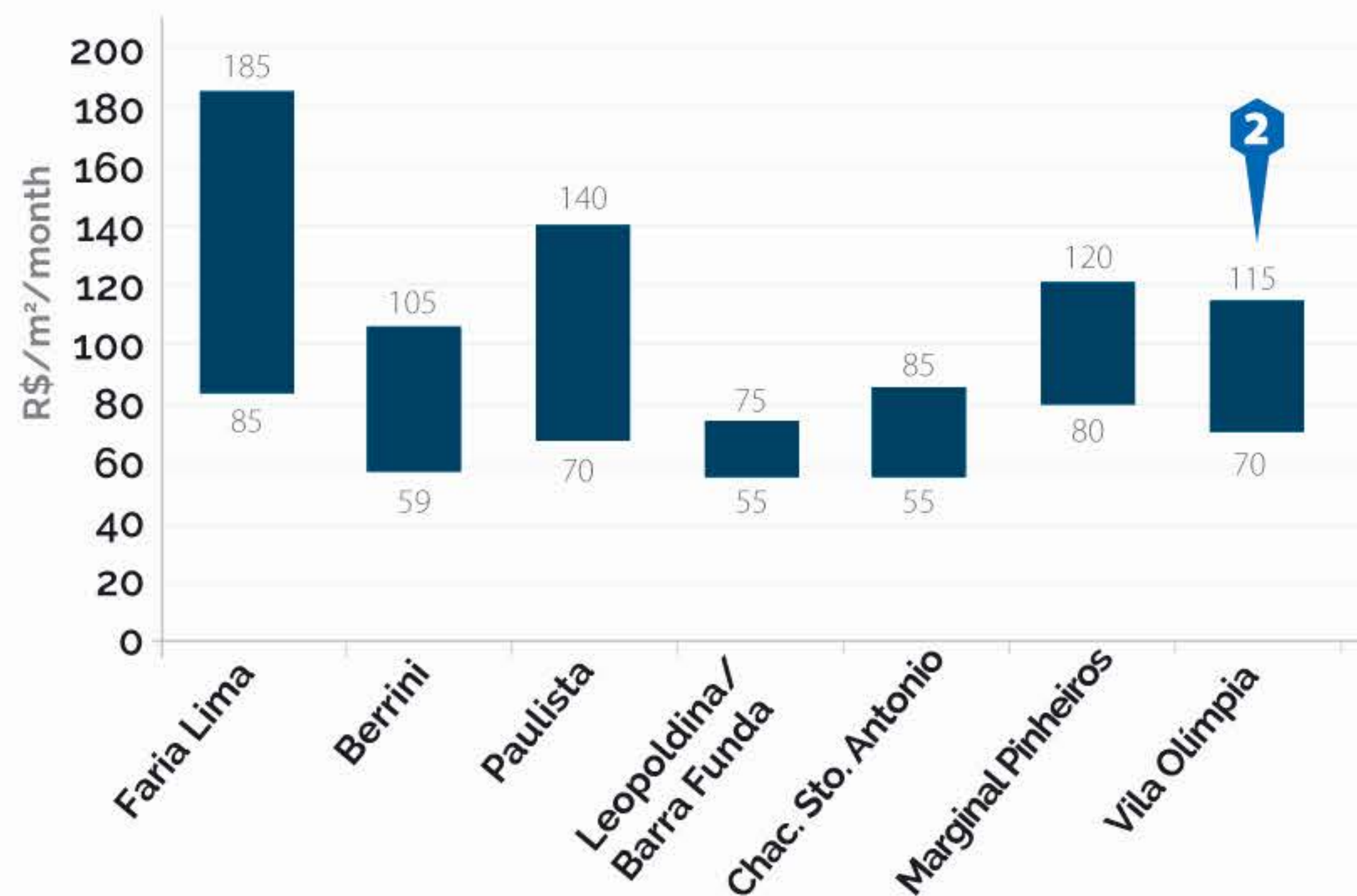


The vacancy rate in corporate office buildings (Class A and Others) in the city of São Paulo declined from 18.1% in the 2nd QTR 2017 to 17.6% in the 3rd QTR 2017. Considerable market activity was registered in the corporate office market (Class A and Others) in the 3rd QTR 2017, as gross absorption reached approximately 270 thousand m², while net absorption was only 58 thousand m². This indicates that the market trend known as Flight-to-Quality continues with considerable intensity in the city of São Paulo.

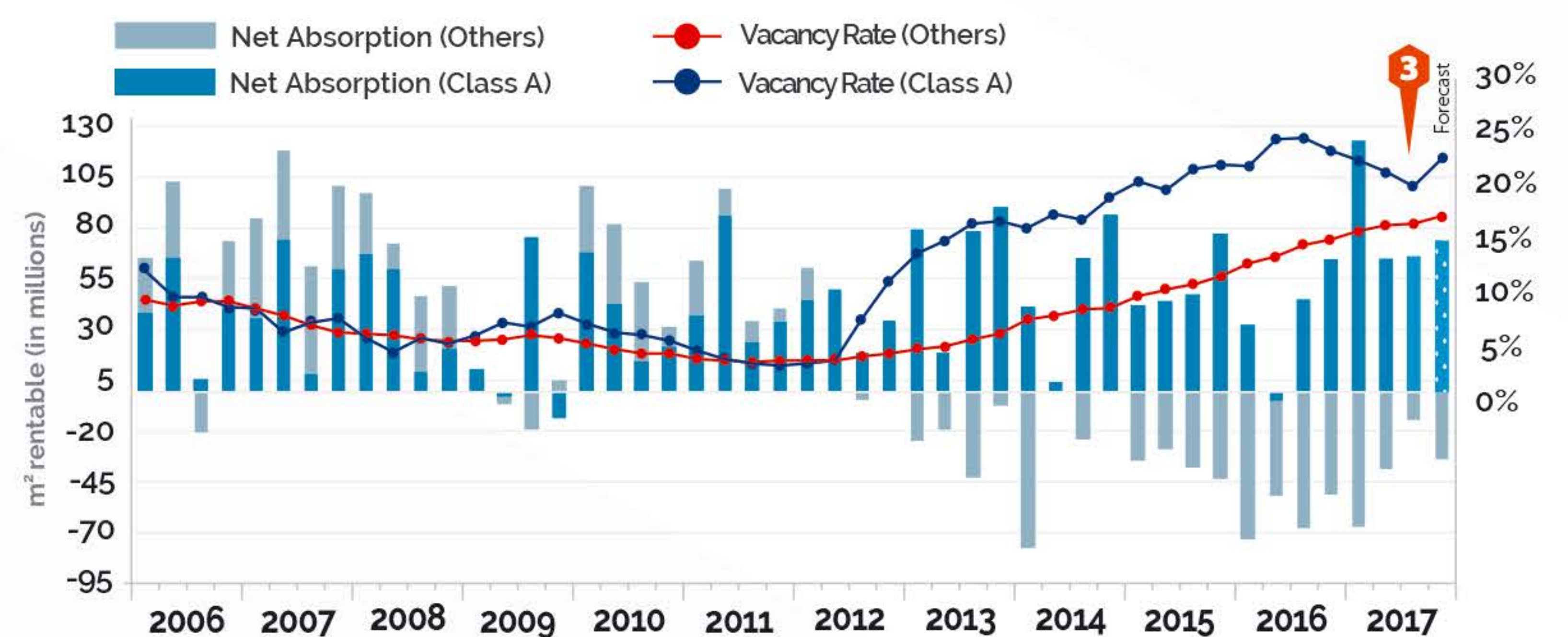
- 1 Deliveries of New Stock of Class A corporate buildings in the city of São Paulo were not registered in the 3rd QTR 2017, as developers and investors postponed the delivery of their respective developments for a better timing. Consequently, the vacancy rate in Class A corporate office buildings declined even further, falling for the fourth consecutive quarter. The vacancy rate for Class A was 19.94% in the 3rd QTR 2017.
- 2 The average asking rent prices in the city of São Paulo continue on a downward trend in relation to the previous quarters. The Class A universe of corporate office buildings in the 3rd QTR 2017 registered average asking rent prices of R\$ 88.31/m²/month. This was 2.0% lower than the average recorded in the previous quarter, while the "Others" corporate buildings universe registered an average asking rent price of R\$ 53.33/m²/month. This was only 0.1% lower than the previous quarter's average - a much smaller drop than the one that occurred in the Class A universe.
- 3 Occupancy in the universe of corporate office buildings (Class A and Others) in the city of São Paulo continues an upward trend. The positive net absorption registered in the 3rd QTR 2017 reached 58 thousand m². The Flight-to-Quality trend was intense throughout the 3rd QTR 2017, but the transactions relating to office space expansion is what called particular attention. When considering only the universe of Class A corporate office buildings, the net absorption was 66 thousand m², with particular highlight companies offering temporary and shared office spaces. This growth has led the vacancy rate for the Class A corporate universe to fall from 21.6% in the 2nd QTR 2017 to 19.9% in the 3rd QTR 2017.

RANGE OF LEASE ASKING PRICE/REGION

CORPORATE BUILDINGS (CLASS A)



NET ABSORPTION AND VACANCY RATE



CONSTRUCTION ACTIVITY
115.905 m²

NEW STOCK
-

NET ABSORPTION
5.845 m²

GROSS ABSORPTION
75.512 m²

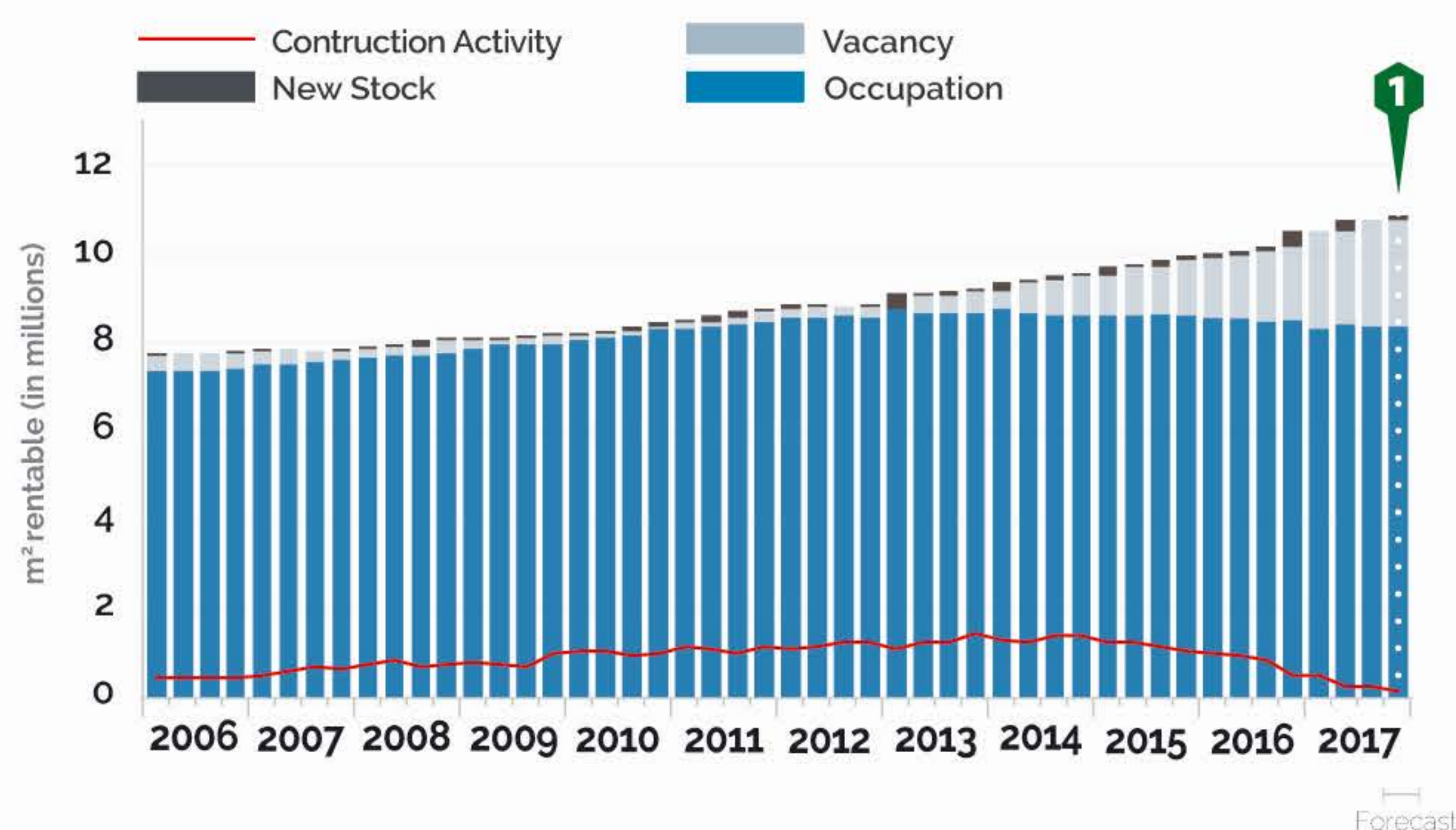
VACANCY RATE
22,17%

AVERAGE ASKING PRICE

Considering corporate office buildings only (Class A and Others)

RIO DE JANEIRO

NEW STOCK/VACANCY/OCCUPATION

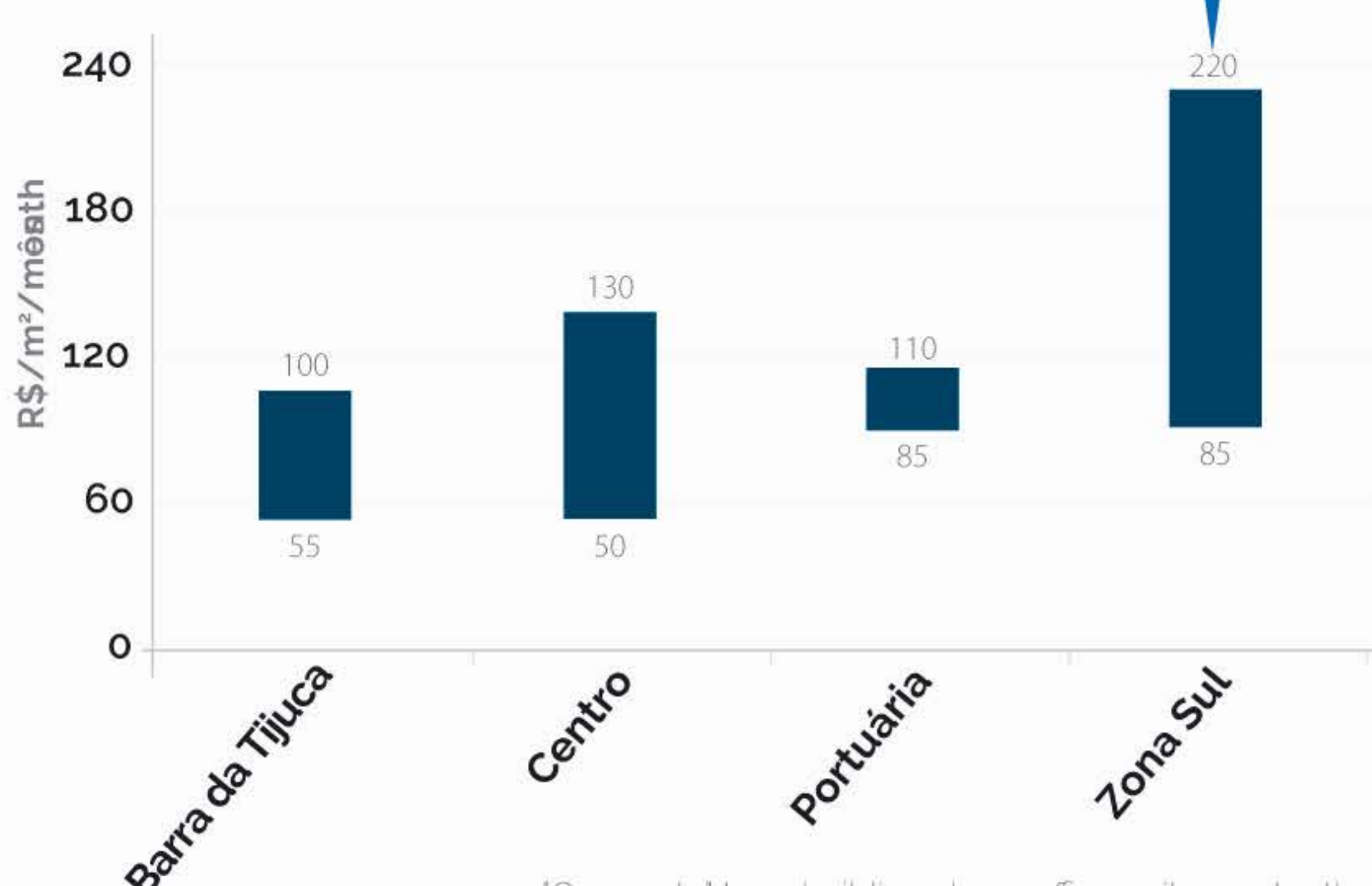


There were no deliveries of New Stock of corporate office buildings in the city of Rio de Janeiro in the 3rd QTR 2017. As a result, the vacancy rate declined by 0.14% for the entire corporate universe in relation to the previous quarter, reaching 22.16% in the 3rd QTR 2017. This was the first time since 2012 that the vacancy rate declined in the city of Rio de Janeiro.

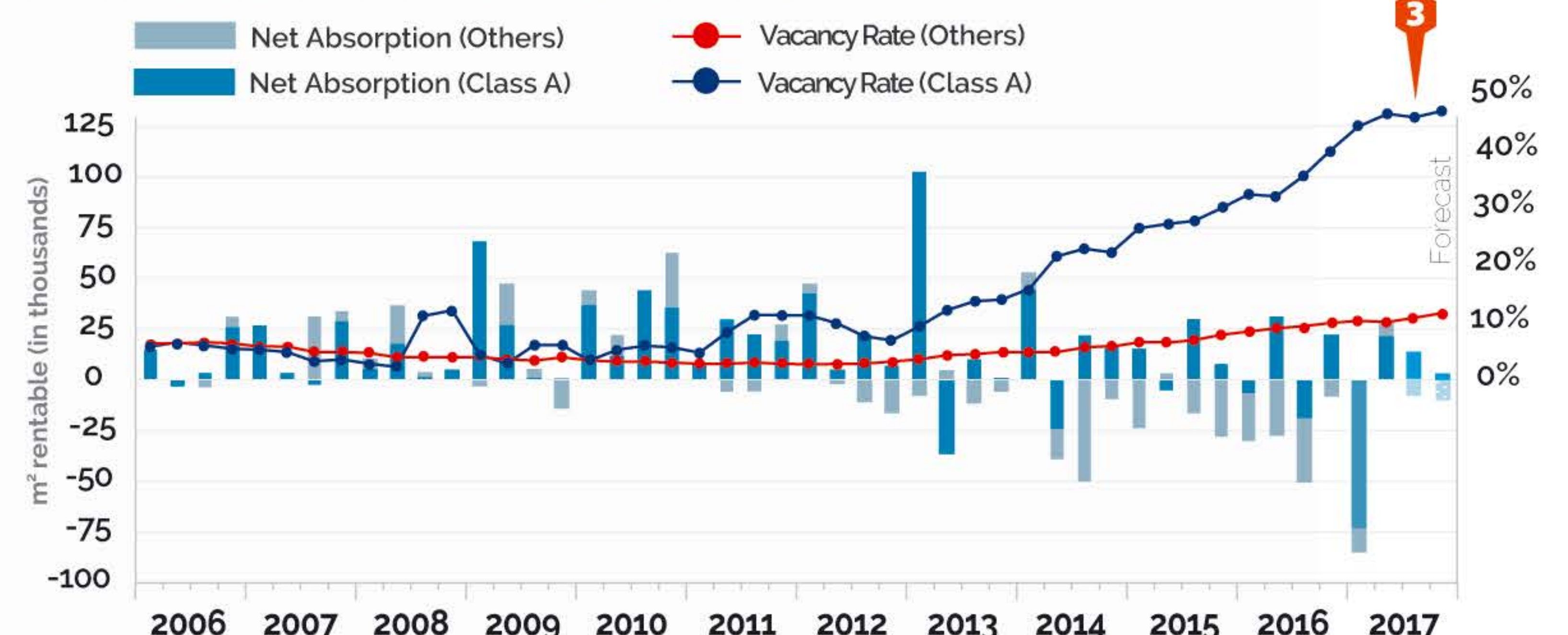
- 1 Due to the high vacancy rate, many construction works are being postponed in the city of Rio de Janeiro. This way, investors and developers try to avoid an increased number of vacant developments. For the forthcoming quarters deliveries are forecasted at 44,500 m² of Class A corporate office buildings. On the other hand, the demand for new space is weak, which should place further pressure and increase the vacancy rate, which currently stands at 47.0%, when considering solely the universe of corporate Class A buildings.
- 2 The average asking rent prices for the universe of corporate office buildings (Class A and Others) declined considerably. The average price fell from R\$ 90.23 / m² / month in the 2nd QTR 2017 to R\$ 85.84 / m² / month in the 3rd QTR 2017, a decrease of 4.8%. One of the main reasons for this reduction is the high vacancy rate in Class A corporate developments. This has led to a more aggressive approach by landlords in relation to asking rent prices and commercial terms.
- 3 Although net absorption for the entire universe of corporate office buildings was very small, only 5,845 m², gross absorption for the same universe in the 3rd QTR 2017 reached 75,135 m². This also indicates the beginning of a Flight-to-Quality movement in Rio de Janeiro. Notable highlights included the new occupation of Vale in the Oscar Niemeyer Tower with 14,550 m², AGU's occupation in the Torre Castelo building with 5,210 m² - the former Petrobrás building. Another noticeable highlight was seen in relation to the co-working companies that continue to absorb large quantities of office space, such as Regus in the Passeio Corporate with 2,096 m², and the pre-lease carried out by WeWork in the Zona Sul building with 1,974 m².

RANGE OF LEASE ASKING PRICE/REGION

CORPORATE BUILDINGS (CLASS A)



NET ABSORPTION AND VACANCY RATE



*The methodology for classification adopted by Ocupantes for office buildings is as follows: "Office" type buildings have office units under 100 m².

Corporate type buildings have office units greater than or equal to 100 m². Class A: buildings with high technical standards. For the purpose of this bulletin, only buildings classified as Corporate were considered.

INDUSTRIAL

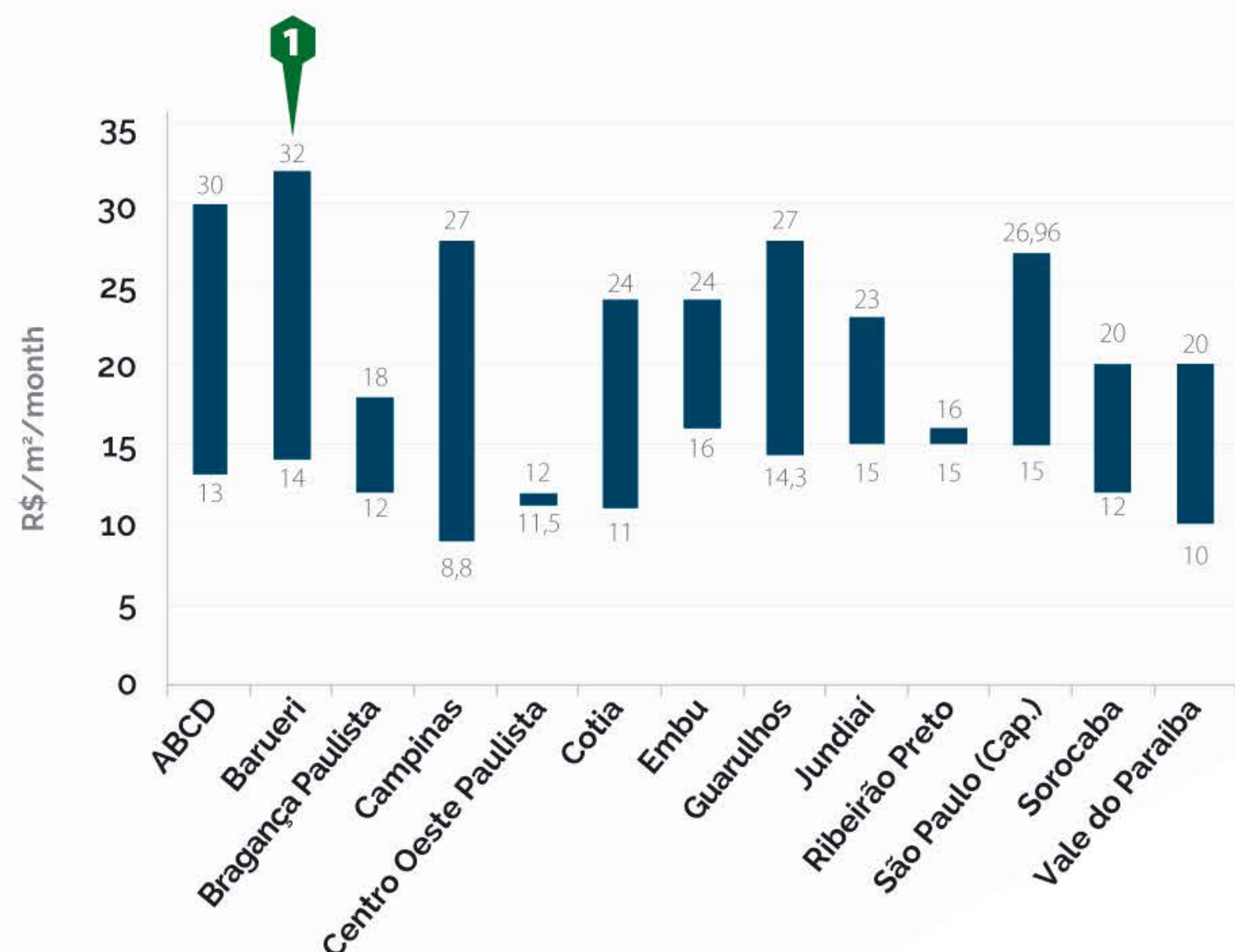
CONSTRUCTION ACTIVITY
544.260 m²

NEW STOCK
72.193 m²

VACANCY RATE
26,29%

AVERAGE ASKING PRICE

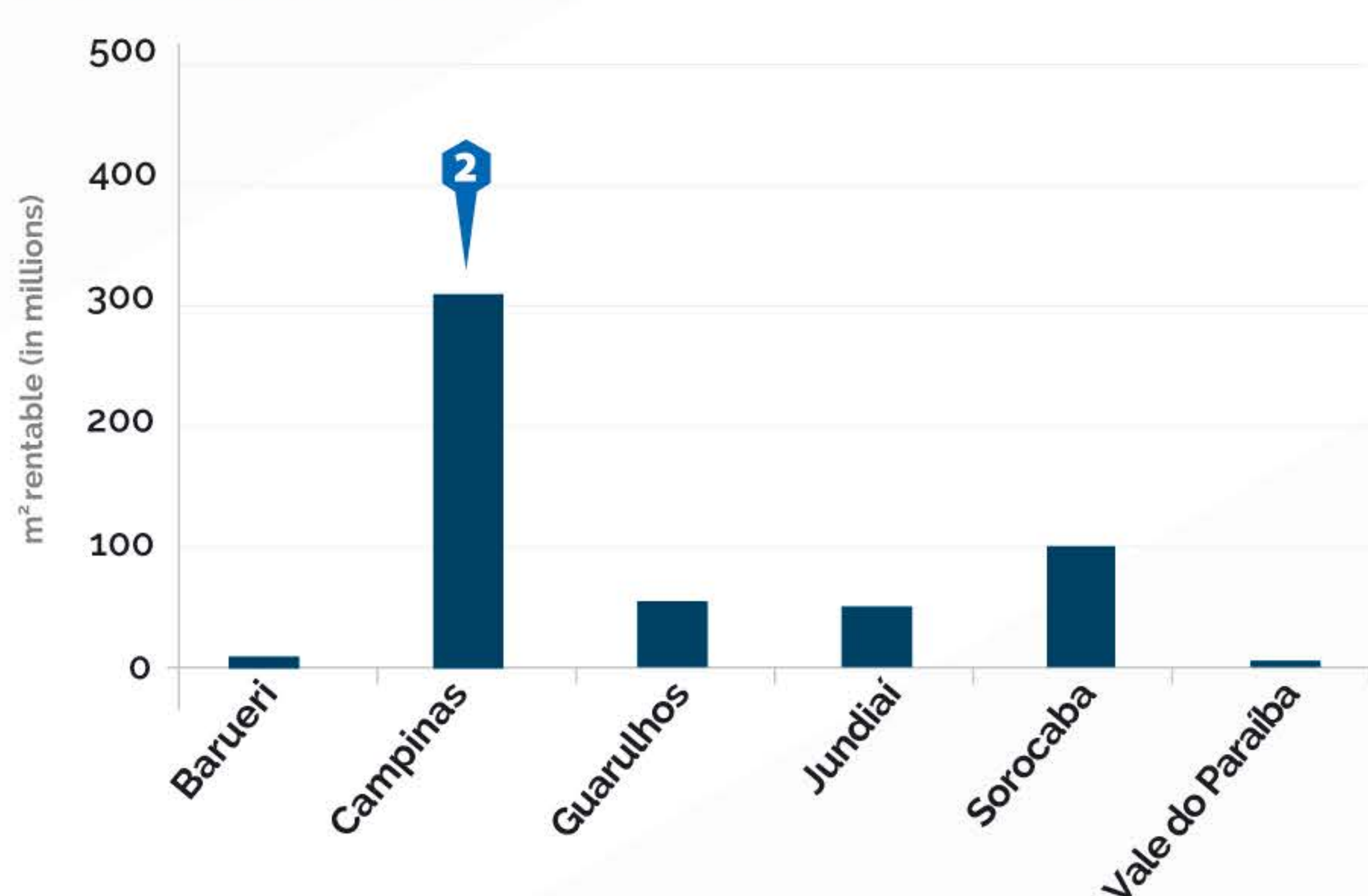
RANGE OF LEASE ASKING PRICE/REGION



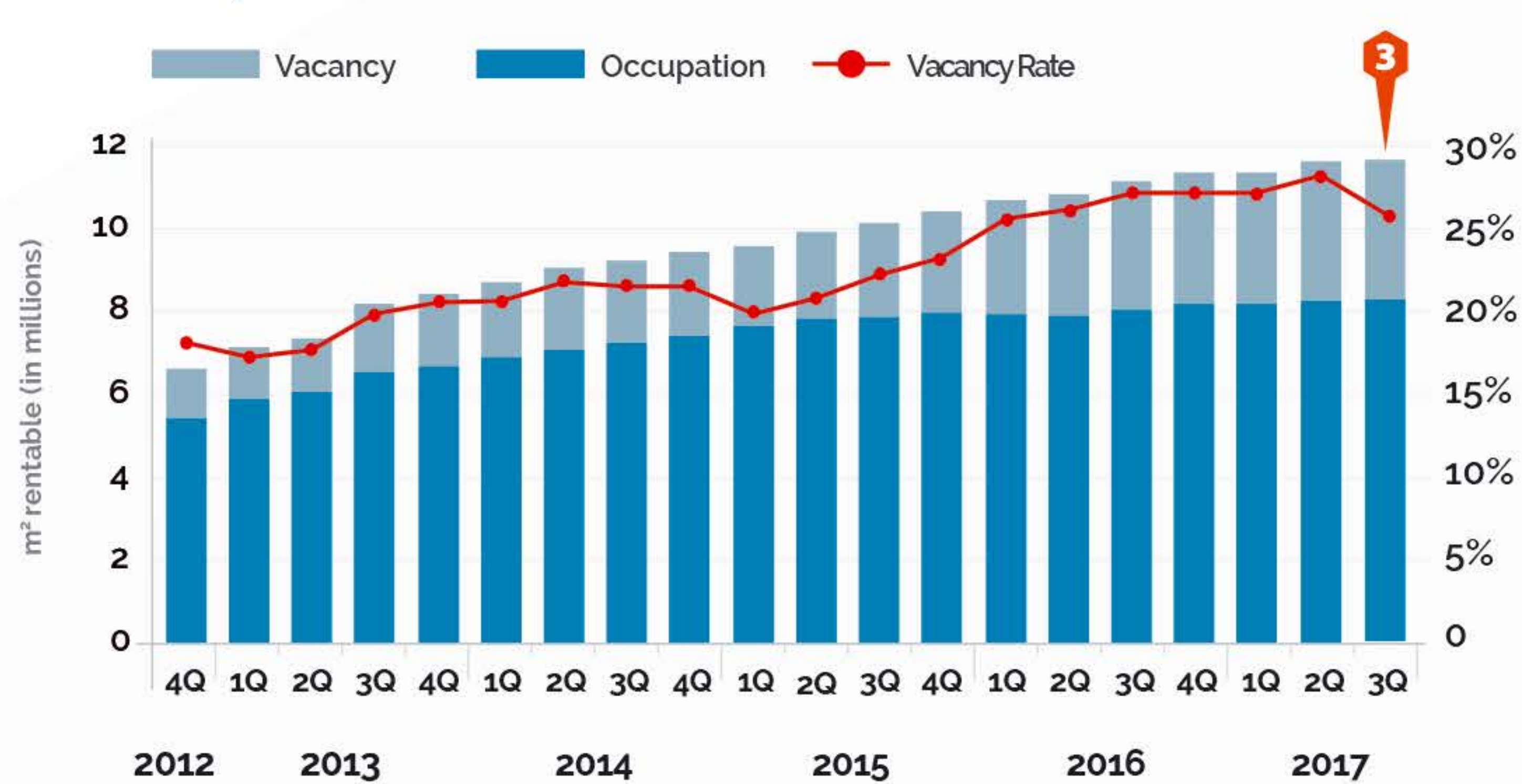
Despite the industrial and logistical market in the state of São Paulo in the 3rd QTR 2017 having received a volume of New Stock of 72 thousand m², the vacancy rate fell from 28,3% in the 2nd QTR 2017 to 26,2% in the 3rd QTR 2017, as occupancy increased from 8,32 million m² in the 2nd QTR 2017 to 8,61 million in the 3rd QTR 2017, an increase in occupancy of 3,5% in a single quarter.

- 1 The average asking rental price in industrial and logistical condominiums throughout São Paulo continued to fall. If we compare the asking rental prices for the 3rd QTR 2016 with those of 3rd QTR 2017, the nominal average asking rents fell by 5,2%, from R\$ 19,64/m²/month to R\$ 18,61/m²/month. To gain access to the most recent and relevant transactions, including closing rents and rent-free periods, please contact Ocupantes.
- 2 The volume of the New Stock of the 3rd quarter of 2017 throughout São Paulo state was 72 thousand m², of which 70 thousand m² were delivered in the Bandeirantes/Anhanguera axis alone. The construction activity for the state of São Paulo currently stands at 544 thousand m², distributed in the Bandeirantes/Anhanguera axis (362,348 m²), along the Castelo Branco highway (116,553 m²) and along the Dutra highway (65,38 m²). The other axes have no construction activity at present.
- 3 The vacancy rate dropped significantly from 28,3% in the 2nd QTR 2017 to 26,2% in the 3rd QTR 2017 across the São Paulo state. One of the key factors that contributed to this decline was the net positive absorption of 290 thousand m² recorded in the 3rd QTR 2017. In this same period, gross absorption reached 387 thousand m² - becoming the largest net and gross absorptions recorded over the past 4 years.

CONSTRUCTION ACTIVITY



VACANCY, OCCUPATION AND VACANCY RATE



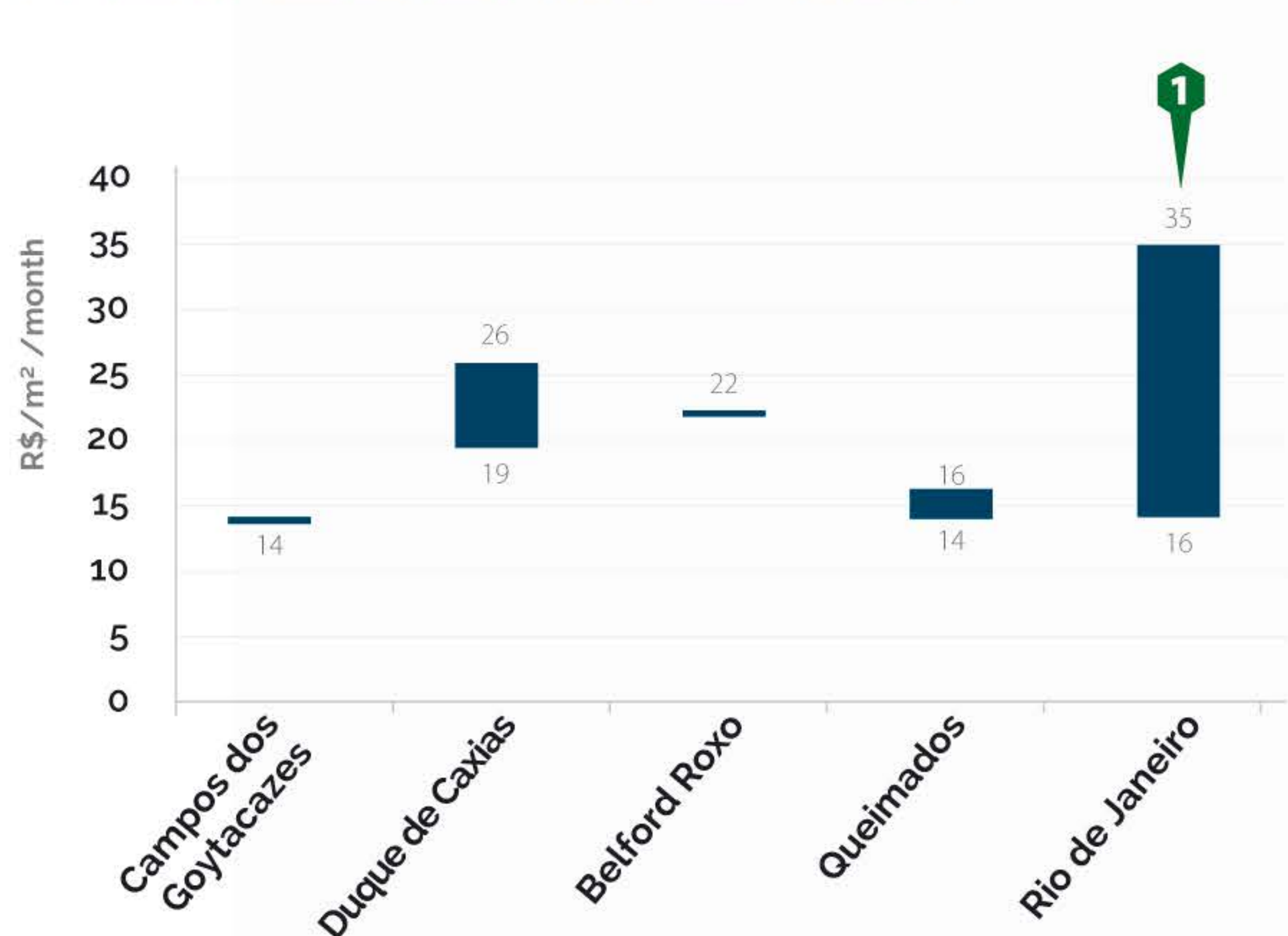
CONSTRUCTION ACTIVITY
290.382 m²

NEW STOCK
67.860 m²

VACANCY RATE
27,41%

AVERAGE ASKING PRICE

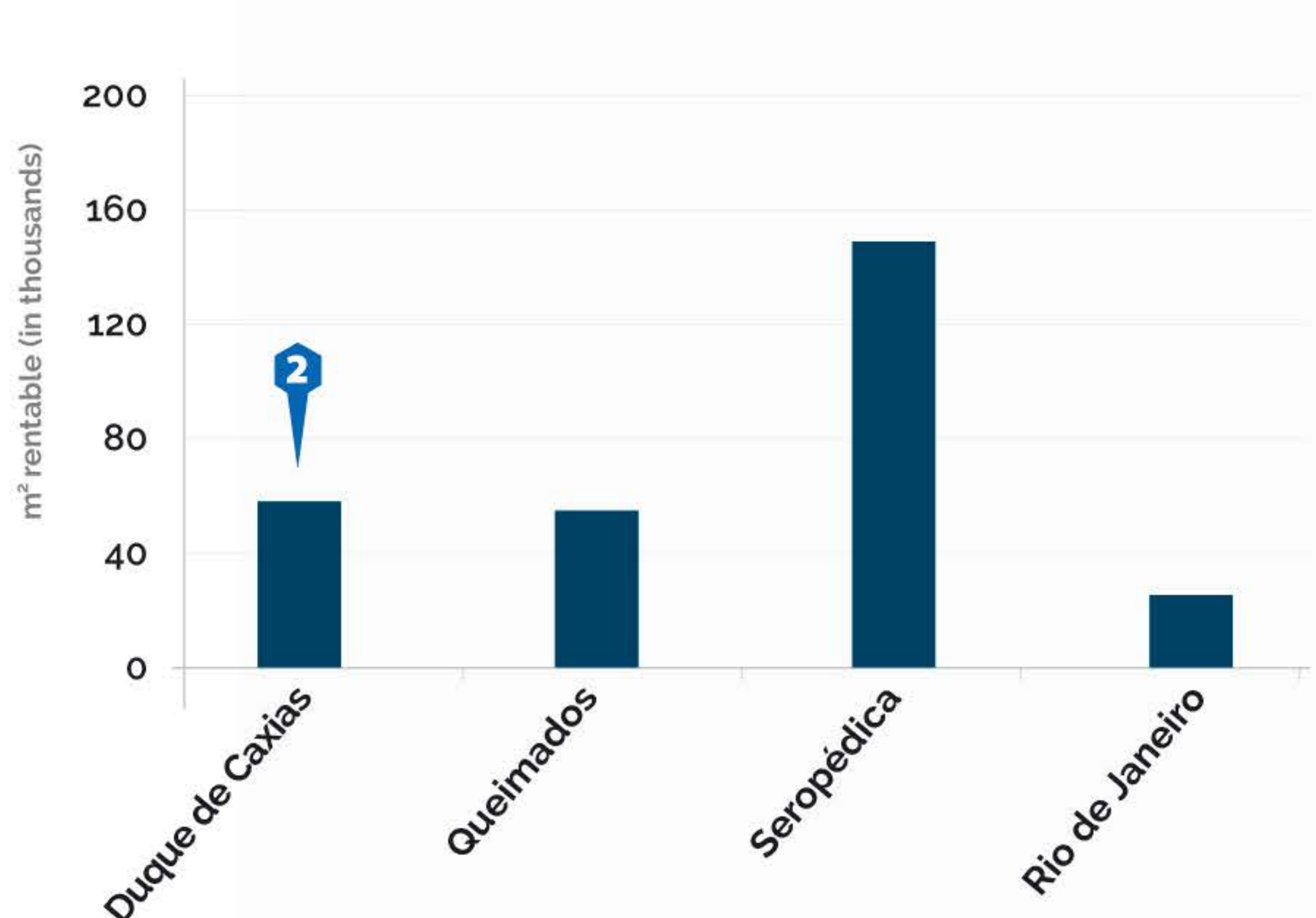
RANGE OF LEASE ASKING PRICE/REGION



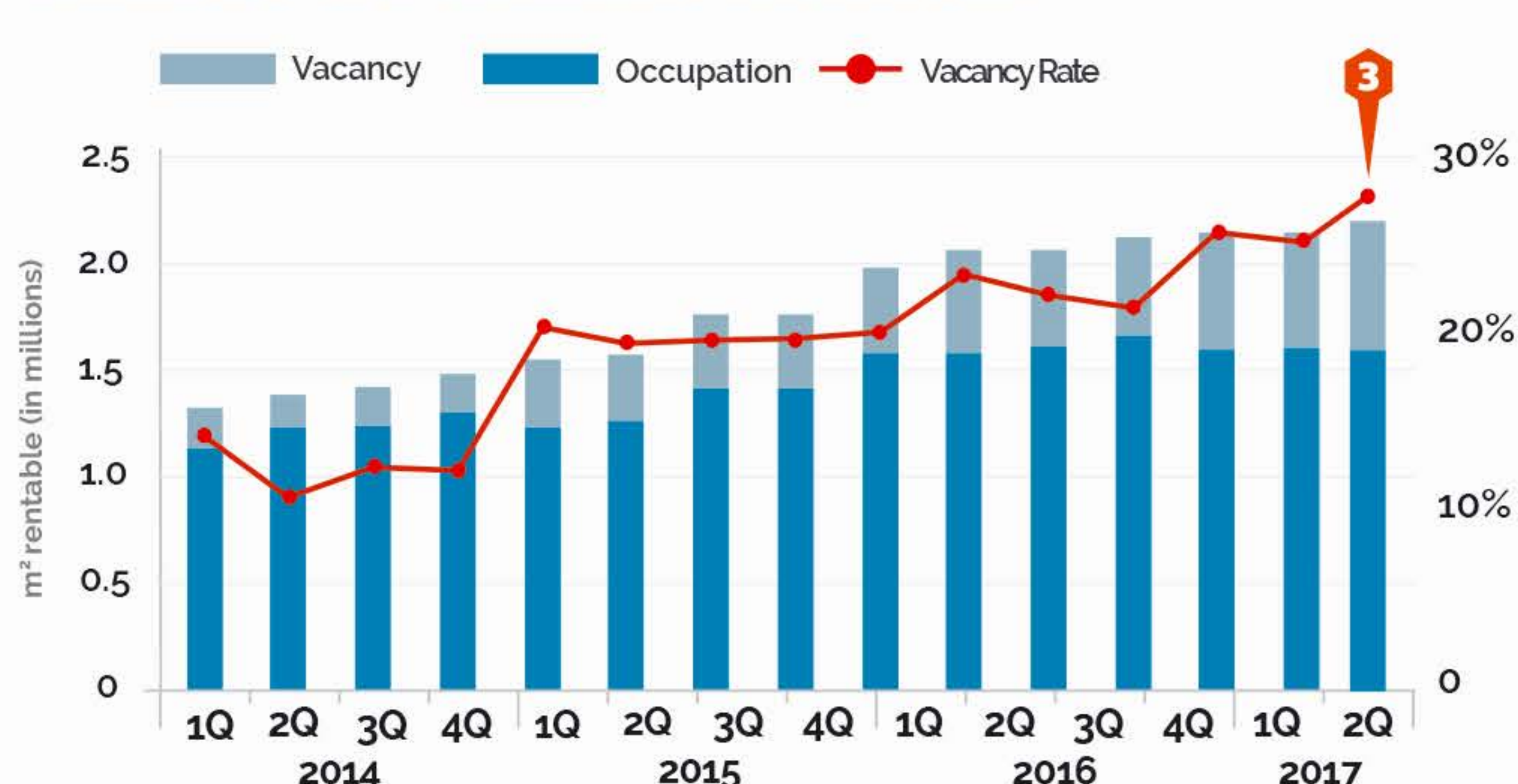
Unlike São Paulo, the vacancy rate in the industrial and logistical gated parks in the market of Rio de Janeiro state increased, reaching 27,4% in the 3rd QTR 2017. The main reason for this is that Rio de Janeiro received a new stock of 67,860 m² in the 3rd QTR 2017, while net absorption was only 6,144 m².

- 1 The average asking rental prices for industrial and logistical gated parks in the entire state of Rio de Janeiro remained practically stable in the 3rd QTR 2017, ranging from R\$ 21,18/m²/month in the 2nd QTR 2017 to R\$ 21,29 in the 3rd QTR 2017. If we compare the asking rental prices for the 3rd QTR 2016 with those of 3rd QTR 2017, the nominal average rental prices fell from R\$ 23,06/m²/month to R\$ 21,29, a decrease of 7,68%. For additional information on this particular market segment, please contact Ocupantes.
- 2 The volume of new stock in the state of Rio de Janeiro reached 67,860 m² - concentrated exclusively in the Golgi - Duque de Caxias Condominium. This gated park is located in the Duque de Caxias region and accounted for 18,9% of all the stock under construction in the state of Rio de Janeiro until that moment. With this added delivery, the Construction Activity in the state fell to 290 thousand m². A notable highlight is the axis along the DUTRA highway (Dutra RJ) that registers a concentration of 205 thousand m² under construction, 70% of all the construction activity of the state of Rio.
- 3 If we compare the vacancy rate in the 3rd QTR 2016 with that of the 3rd QTR 2017, we notice an increase from 22,3% to 27,4%. This increased vacancy rate is a reflection of the absence of growth in demand, as total occupation in logistical gated parks throughout the state of Rio de Janeiro has remained practically stable for the past 12 months, with occupancy at around 1,6 million m² and total stock increasing by 150 thousand m² over the same period.

CONSTRUCTION ACTIVITY



VACANCY, OCCUPATION AND VACANCY RATE



Past trends should not be taken as indicative of future results. Ocupantes shall not be held liable for decisions taken based on the information contained herein.

INTEGRATED SOLUTIONS

Our lease expires in a year's time. As we've been in this building for ten years, we ought to think about whether we're going to go to the expense of refurbishing our current space or look for new offices.



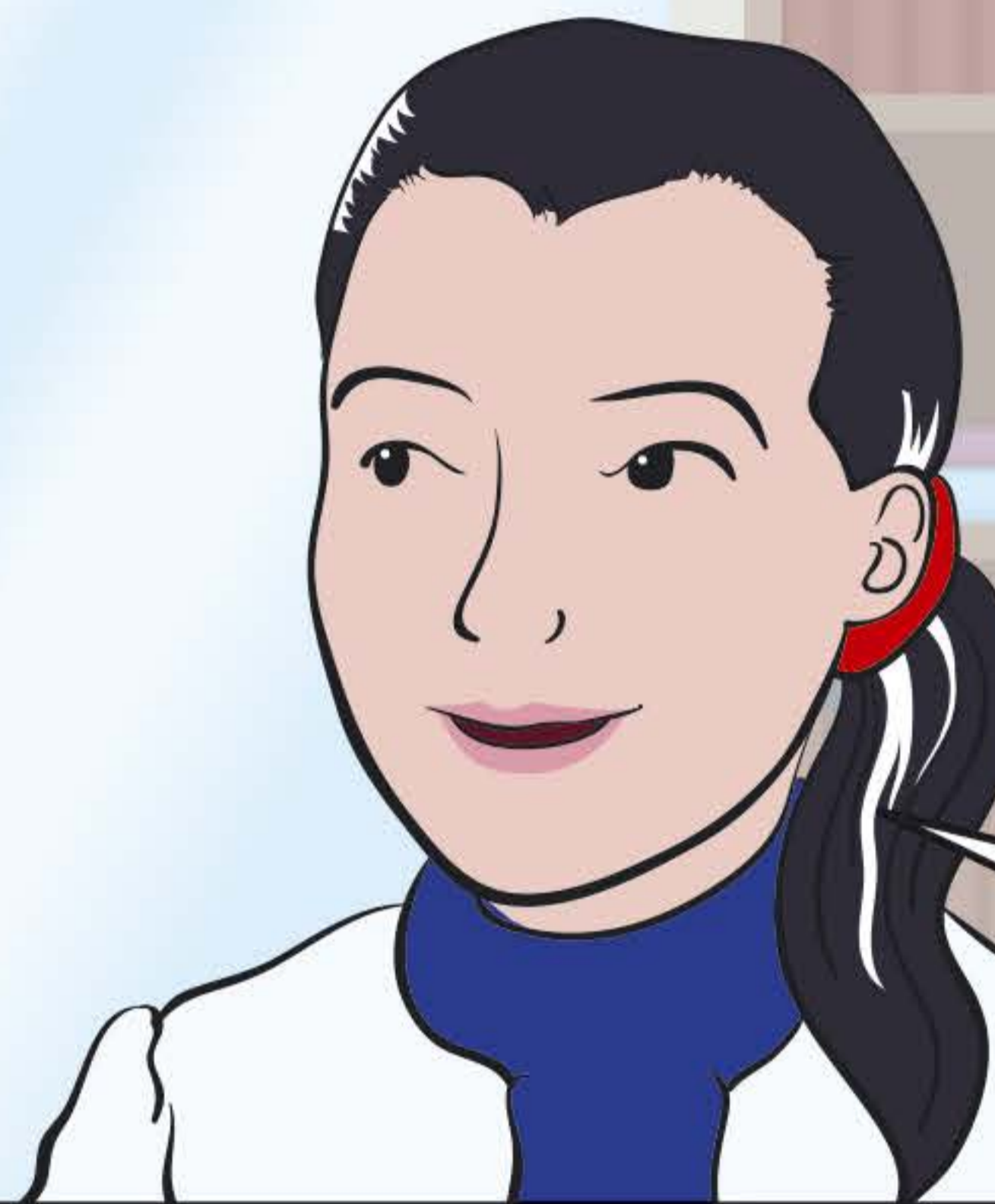
Next year will mark 25 years since I founded this firm. I think that's a good time to relocate - but we need reliable information about the real estate market and the costs involved in relocating or renewing our lease. We'll have to consult some specialists...

A PARTNERS' MEETING IN A WELL-ESTABLISHED LAW FIRM

The brokerage companies I contacted offered some spaces, but I'm not convinced they gave me complete information. Maybe I should contact one who can give us a budget for refurbishing this office as well.



One of our clients is a multinational pharmaceutical company. They told me they engaged Ocupantes and were very pleased with the results. They compared the various alternatives, and the best option for them was to renew their current offices. Ocupantes negotiated a big reduction in their base rent and even obtained a rent-free period to cover the costs of refurbishing!



Good morning. We've been recommended to contact you to find out whether our current lease costs are in line with the market and whether relocation would be a good strategy. Can you tell us more about the work you do?

Certainly. We can arrange a brief meeting to present Ocupantes to you. I'll have Fabio Talero, founding partner of Ocupantes Construction and Project Management, join me as he will be able to discuss design and construction aspects of refurbishment or relocation.

... HAROLDO LOPES IS MOST HELPFUL



IN A CALL TO OCUPANTES...

SIX MONTHS LATER...

Based on the assumptions in this financial analysis, comparing renewal of the current lease and refurbishment of the existing office against a relocation to one of these shortlisted buildings, we would recommend a relocation.



NEW PREMISES OPEN



We are very happy with the results. Thank you. All our targets have been met.

This was the first relocation where I had no headaches! Excellent negotiation and support in the design and build out of the space.

SERVICES

If you require accurate information on the region where your offices or warehouses are located, whether your aim is to review your current rent or undertake a comparative analysis of the other available options in the market, please contact us. Ocupantes has the experience and the comprehensive market data available to assist your company in reaching the best decision.

LOCATION ANALYSIS	RELOCATION, LEASE CONTRACT RENEWALS, RENT REVIEWS AND TERMINATIONS	INDUSTRIAL SERVICES	ACQUISITIONS AND EXPANSIONS	SALE & LEASEBACK	MANAGEMENT OF OPPORTUNITIES AND CRITICAL DATES	VALUATIONS AND DISPOSITIONS	PROJECT MANAGEMENT (THROUGH OCUPANTES PROJECT MANAGEMENT)
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OCUPANTES Corporate Real Estate

Ocupantes is the first and largest Corporate Real Estate consulting company in Brazil specializing in the representation of commercial and industrial users. Ocupantes team consists of skilled professionals with extensive experience in providing advisory services as well as conducting real estate requirements for national and multinational companies in their plans for occupation.