

Planned office relocation for HBO



Time Warner is all about entertainment. With headquarters in New York, USA, Time Warner is an industry leader producing multimedia productions for the television, film and publishing industries, supplying and distributing packaged content for multiple distribution outlets worldwide.

One of the companies owned by Time Warner is HBO, which is responsible for the cable network channel that carries the same name and widely known in Brazil for its transmission of movies and serials. The Brazilian operation was spread across two separate buildings. The marketing team was in a more modern building located in Vila Olimpia, a district in the city of São Paulo. The operational teams, on the other hand, were situated in an older building located on Avenida Faria Lima, also in the city of São Paulo where they occupied more than one floor. Overall, there were three lease agreements, since the Faria Lima office generated two separate agreements.

The company's goal was to join the operations into one location and with equal standards. Besides integrating teams, the change also aimed at promoting cost reduction and business growth for HBO.

In 2012, with this objective in mind, HBO engaged the consultancy services of **Ocupantes Corporate Real Estate** for the first time. The specialized corporate and industrial service consultancy pinpointed the Eldorado Business Tower, a high-end corporate development located in the state capital. On the negotiation aspect, **Ocupantes** secured significant sa-

vings in rent costs in relation to the original asking price. In terms of space, the total area occupied increased by 66%.

One of the main challenges faced by the real estate consultancy was to adjust the three previous lease agreements so that the lease termination dates would match the planned date to move into the new space. The fact, however, is that it was not only necessary to make an initial alignment of lease end dates, but also to execute a lease extension, considering the need for an additional time period required to conclude negotiations of the new lease and then, after that, perform the adaptation requirements in the new space.

Ocupantes Project Management handled the entire management of the new office setup, actively interacting with HBO and suppliers in order to achieve the desired results within the project schedule dates. With clearly defined goals to adapt the space to the client's standards, the fit out took place in the two occupied floors, the 13th and the 14th floors. The fit out project featured differing jobs that involved, hydraulics, electrical installation, air-conditioning, implementing the new layout, which included furniture, chairs and architectural finishes. A particular feature was the setup of 12 office spaces dedicated to audio and video writing and editing.

The architectural design of the new office was prepared by Dante Della Mana Architects. All commercial negotiations, as well as project management, project schedule and execution were conducted by **Ocupantes Project Management**.

Upon project completion, the space was delivered and ready for occupation in March 2014, meeting the requirements and reaching the client's expectations. ■



Fabio Talero

Fabio Talero is Managing Director of Ocupantes Project Management. He has a degree in Civil Engineering from the Colombian School of Engineering and a graduate degree in Civil Engineering - MSc Program of Project and Facility Management at Virginia Polytechnic Institute and University (USA). Additionally, Fabio has 22 years' experience in real estate management, particularly in the areas of facilities management, real estate transactions, quality, maintenance and project management.



Eldorado Business Tower

For office, industrial and retail work, our services include:

- Strategic Consultancy
- Portfolio Management Services
- Space Planning
- Location and Financial Analysis
- Market Surveys and Comparative Analysis
- Transaction Management (including BtS and Sale & Leaseback operations)
- Project and Construction Management
- Contract Management
- Valuations, Dispositions and Deliveries of Spaces upon Lease Terminations
- Rent Reviews, Lease Renewals and Terminations

www.ocupantes.com

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

The high net absorption in Class A stabilizes vacancy levels



* Comparing 3rd quarter 2014 with 2nd quarter 2014

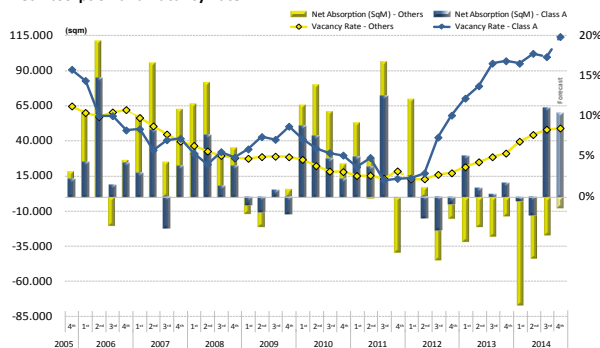
Despite approximately 54 thousand square meters of new stock, the vacancy rate in Class A* dropped marginally in the 3rd QTR 2014, from 17.75% to 17.39%. This is a result of 63 million square meters of net absorption in Class A in the quarter. As a gauge to the volume of transactions carried out, the total movement of companies - gross absorption - was 100 thousand square meters for Class A buildings in the 3rd QTR 2014. Despite this delivery of 54 thousand square meters, construction activity in Class A in corporate buildings remained virtually stable in the city of São Paulo, around 1.22 million square meters.

For buildings classified as Others*, the net absorption remained negative for the ninth consecutive quarter, ending the 3rd QTR 2014 with total occupancy of 27,367 square meters below the previous quarter. This caused the vacancy rate to raise in the Others segment once again, from 7.64% to 8.29%. On the other hand, the new stock in the Others segment was 16 million square meters in the 3rd QTR 2014, which caused construction activity in this segment to drop by half, closing the quarter with only 16 thousand square meters. It should be noted that the construction activity of the Others segment represents only 1.3% of the total construction activity of corporate buildings in São Paulo.

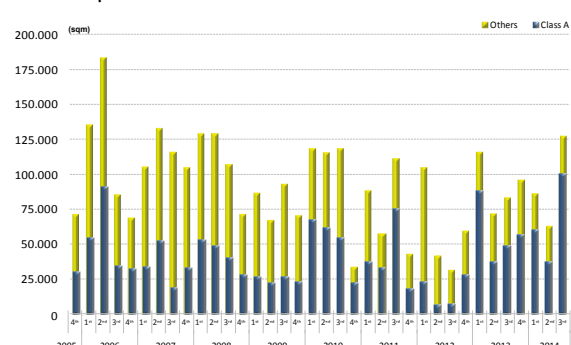
The forecast for added stock signals higher vacancy levels at year end

Deliveries are expected to reach approximately 160 thousand square meters in Class A buildings in the 4th QTR 2014. On the other hand, net absorption in Class A should not exceed 60 thousand square meters according to our expectations. Provided, therefore, these expectations are confirmed, vacancy will probably rise, considering net absorption should not exceed the new stock.

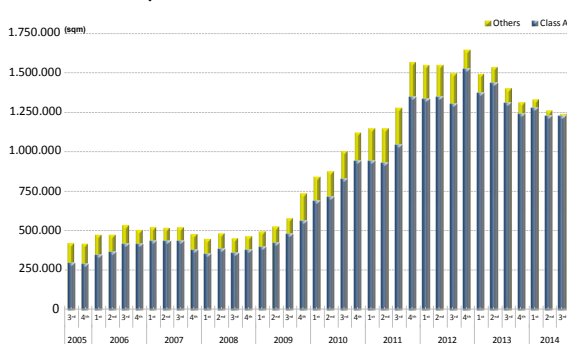
Net Absorption and Vacancy Rate



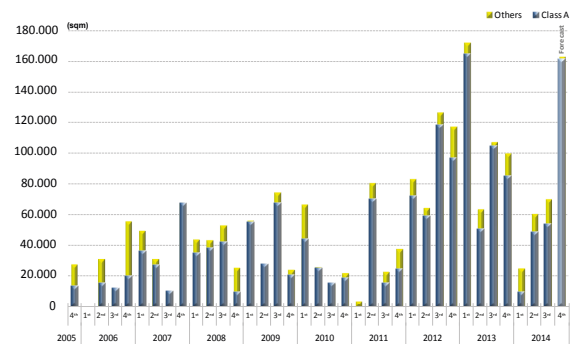
Gross Absorption



Construction Activity



New Stock



* The methodology for classification adopted by Ocupantes for office buildings is as follows: Buildings with office units under 100m²; Corporate: buildings with office units greater than or equal to 100m²; Class A: include AAA, AA and A Buildings; Others: include BB, B and C. For the purpose of this bulletin, only buildings classified as Corporate were considered.

Vacancy levels continue on the rise in Rio



* Comparing 3rd quarter 2014 with 2nd quarter 2014

The market figures for the 3rd QTR 2014 for Rio de Janeiro are not very encouraging. Following the trend seen in recent quarters, the vacancy rate in Class A* has continued to rise, from 19.92% to 23.04%. The delivery of 47.5 million square meters in Class A, in addition to a negative net absorption of nearly 4 million square meters, pressured Class A vacancy rates upward.

As for buildings considered as Others* no new stock was added in the 3rd QTR 2014, but with a negative net absorption of 35 million square meters, the result was an increase in the vacancy rate, increasing from 3.90% to 4.31%.

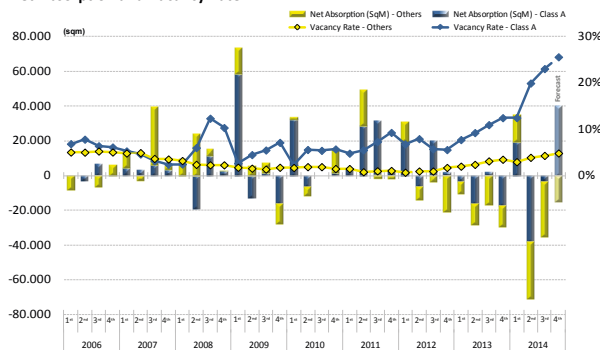
Construction Activity should continue a downward trend

Construction activity in Class A buildings suffered yet another drop, now approximately 600 thousand square meters are under construction in this segment in the city of Rio de Janeiro. The vast majority of this construction activity can be found in Central and Portuária districts, areas that benefit from a series of tax incentives and stimulus from the city of Rio de Janeiro and the State Government.

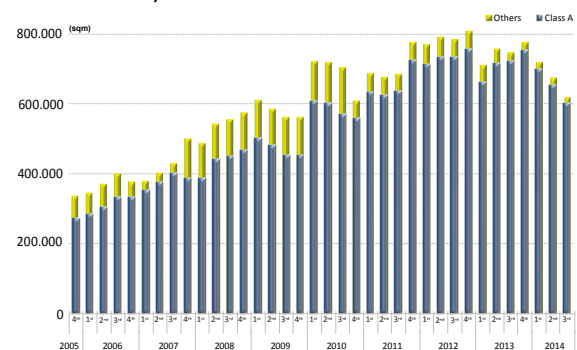
The recurring decline in net absorption in Rio de Janeiro has strongly influenced the gradual and steady decline in construction activity since the end of last year. In the 3rd QTR 2014, the construction activity of corporate buildings declined by 8.2% in relation to the previous quarter and by 20% when compared to the 4th QTR 2013.

The forecast for the last quarter of 2014 is a delivery in excess of 94 million square meters in Class A buildings. As this new stock will most likely be much greater than the net absorption, the expectation is that the vacancy rate will continue an upward trend through to the end of the year.

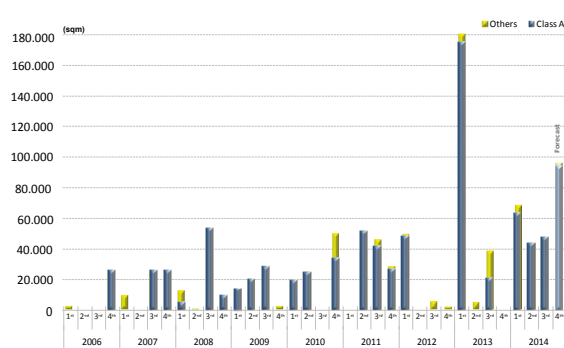
Net Absorption and Vacancy Rate



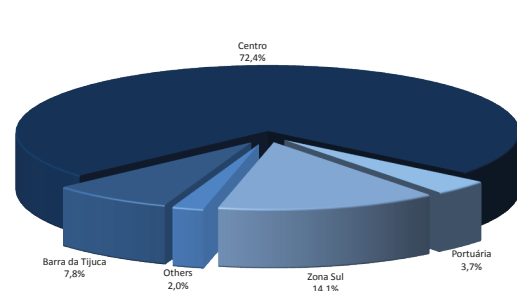
Construction Activity



New Stock



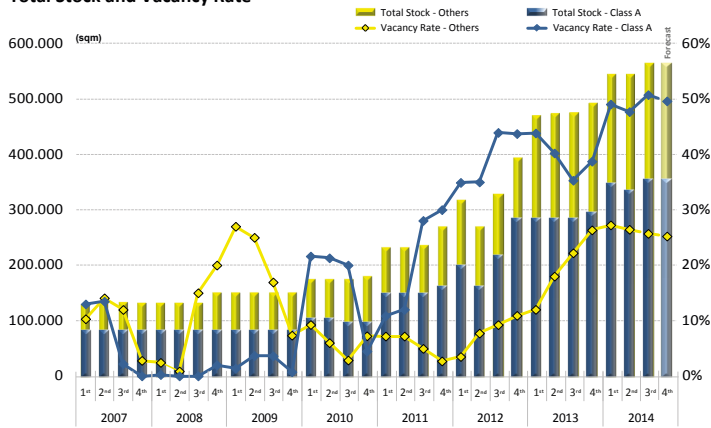
Total Stock Corporate - Distribution by District



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

Vacancy rates on the rise again in Alphaville

Total Stock and Vacancy Rate



- The vacancy rate for corporate office buildings had a slight increase in the 3rd QTR 2014, reflecting the delivery of 19,320 square meters. On the other hand, the vacancy rate in Class A alone exceeded 50%, closing the 3rd QTR 2014 at 50.75%. In the universe of buildings considered as Others, with positive net absorption, the vacancy rate decreased from 26.45% to 25.71%.

- The graph alongside shows that the total stock of corporate office buildings in Alphaville has increased nearly five times over the past six years, which obviously explains the constant rising vacancy rate during this period. This scenario has caused the construction activity in Alphaville to fall considerably in

recent months, and in this 3rd QTR 2014, the construction activity in Class A went from 240 to 221 thousand square meters.

Success Stories - Unifying the operation



The pursuit of beauty, especially by women, drives a huge market inside and outside Brazil. BR Beauty is a player in

this promising market, selling professional articles for beauty and aesthetics for both the domestic and international markets. The company has achieved a noticeable visibility in its niche market, operating from three distinct locations: with corporate offices in São Paulo on the Avenida 9 de Julho, a distribution and logistics center – previously handled by an outsourced company - and also product manufacturing – also outsourced.

As a natural step forward for this well established company, BR Beauty acquired their own manufacturing facility. Even before the acquisition of the manufacturing plant, BR Beauty was already interested in renting a warehouse to accommodate its storage and distribution. In other words, with its own manufacturing facilities, as the intention was to eliminate outsourcing altogether.

Meanwhile, the idea of unifying the three separate units emerged. However, the site occupied by the manufacturing facility could not accommodate the entire operation. It was precisely at this point that the client reached out for the services offered by **Ocupantes**.

The challenge faced by the **Ocupantes** consultancy was to locate a suitable site in such a short period of time - since

the existing lease agreements had their respective lease end dates expiring very shortly. The space would have to meet the requirements established by BR Beauty and the capability to accommodate all three operations. It would also have to allow for future expansion, both medium and long term, have a suitable location and provide for an excellent corporate image. Besides these details, it was necessary to find a facility within the defined geographical area and ready for occupation, without the need for any refurbishment.

As for the outcome, **Ocupantes** located a suitable warehouse in Alphaville, within the metropolitan region of São Paulo. This facility now houses the entire operation, including manufacturing, corporate offices, as well as inventory and distribution. Hence, BR Beauty was able to reduce costs and increased productivity, in addition to unifying the entire company in one location, noticeably favoring future growth. ■



Site Front

