

MARKET BULLETIN

4TH QTR 2017 • SÃO PAULO | RIO DE JANEIRO

OFFICES

SÃO PAULO

RIO DE JANEIRO



VACANCY
RATES



AVERAGE
ASKING PRICES



VACANCY
RATES



AVERAGE
ASKING PRICES

INDUSTRIAL

STATE OF SÃO PAULO

STATE OF RIO DE JANEIRO



VACANCY
RATES



AVERAGE
ASKING PRICES



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 BRAZIL.

TAKE A LOOK AT THE COMIC STRIP OVERLEAF

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OFFICES



CONSTRUCTION ACTIVITY
656,653 m²



NEW STOCK
38,962 m²



NET ABSORPTION
63,397 m²



GROSS ABSORPTION
235,238 m²



VACANCY RATE
17.38%

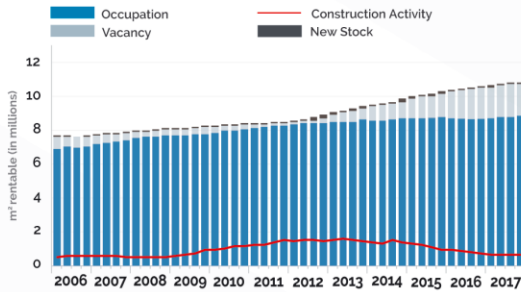


AVERAGE ASKING PRICE
R\$ 65.00

Considering corporate office buildings only (Class A and Others)

SÃO PAULO

NEW STOCK/VACANCY/OCCUPATION



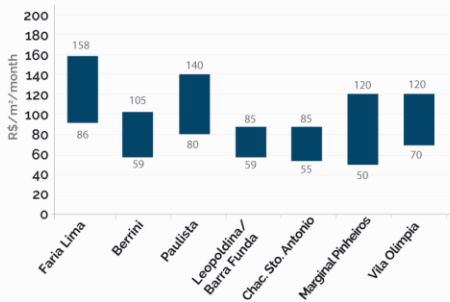
The total stock of office space in São Paulo in the 4th QTR 2017 was 10.57 million m², out of which 39 thousand m² represented the newly delivered corporate developments. The vacancy rate in the quarter fell to 17.38% which represents 1.84 million m² of vacant space. In turn, construction activity declined to 657 thousand m².

The asking rental prices for this quarter in the Faria Lima district ranged between R\$86/m²/month and R\$158/m²/month. On the other hand, in the Berrini district, asking rents ranged from R\$59/m²/month to R\$105/m²/month, whereas in the Vila Olímpia district prices ranged from R\$70/m²/month to R\$120/m²/month.

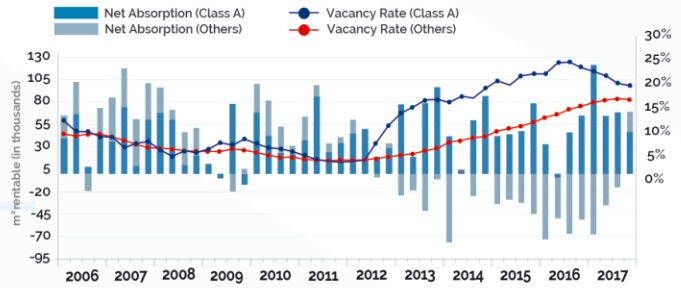
In the 4th QTR 2017, the stock of corporate Class A office buildings of the City of São Paulo recorded a positive net absorption of 45.3 thousand m² and a vacancy rate of 19.26%. In turn, the stock of corporate buildings Class "Others" recorded a positive net absorption of 18 thousand m² and a vacancy rate of 16.35%.

RANGE OF LEASE ASKING PRICES BY DISTRICT

CORPORATE BUILDINGS (CLASS A)



NET ABSORPTION AND VACANCY RATE



CONSTRUCTION ACTIVITY
108,074 m²



NEW STOCK
7,830 m²



NET ABSORPTION
-35,268 m²



GROSS ABSORPTION
57,120 m²



VACANCY RATE
23.22%

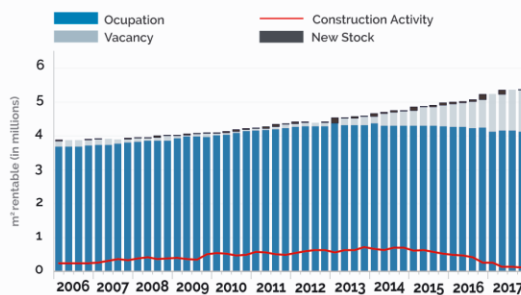


AVERAGE ASKING PRICE
R\$ 81.00

Considering corporate office buildings only (Class A and Others)

RIO DE JANEIRO

NEW STOCK/VACANCY/OCCUPATION



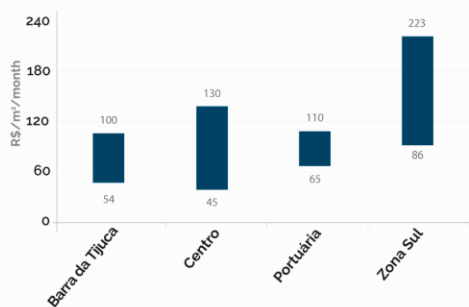
In 4th QTR 2017, the total stock of office space in Rio de Janeiro reached 5.3 million m², of which 7.8 thousand m² represented the newly delivered corporate developments. The vacancy rate in the period increased to 23.22% which represents 1.2 million m² of vacant space. In turn, the construction activity declined to 108 thousand m².

The asking rental prices in this quarter for the Barra da Tijuca district ranged between R\$54/m²/month and R\$100/m²/month. In turn, the Centro district ranged between R\$45/m²/month and R\$130/m²/month. In the Portuária district asking prices ranged from R\$65/m²/month and R\$110/m²/month and in the Zona Sul district between R\$86/m²/month and R\$223/m²/month.

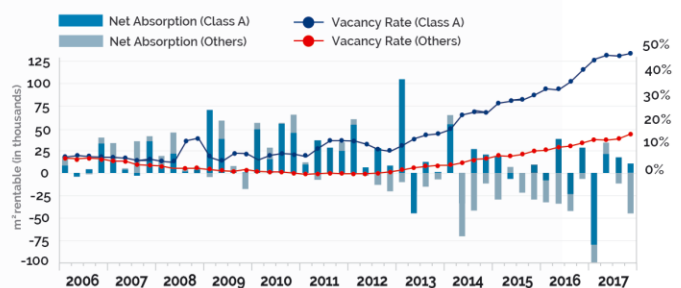
In the 4th QTR 2017, the stock of corporate Class A buildings in the City of Rio de Janeiro recorded a positive net absorption of 11.6 thousand m² and a vacancy rate of 47.51%. In turn, the stock of corporate buildings Class "Others" recorded a negative net absorption of 47 thousand m² and a vacancy rate of 11.09%.

RANGE OF LEASE ASKING PRICE BY DISTRICT

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.

INDUSTRIAL

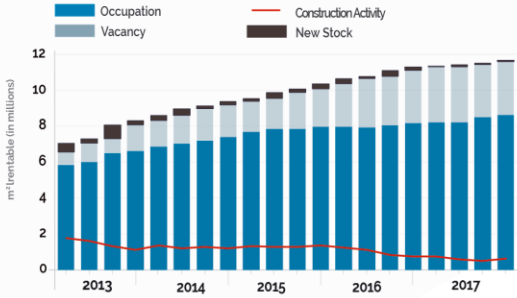
CONSTRUCTION ACTIVITY
524,040 m²

NEW STOCK
101,018 m²

VACANCY RATE
26.08%

AVERAGE ASKING PRICE
R\$ 18.37

NEW STOCK / VACANCY / OCCUPATION

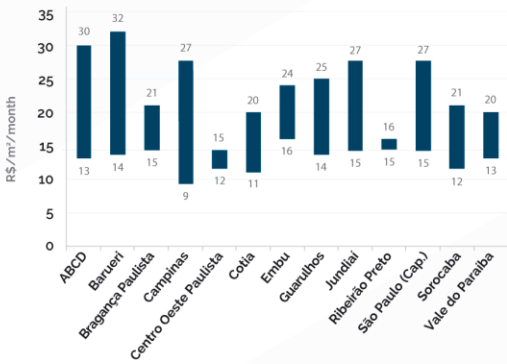


In the 4th QTR 2017 the total stock of gated industrial and logistical condominiums in the State of São Paulo reached 11.9 million m², of which 101 thousand m² represented newly delivered developments. The vacancy rate dropped to 26.08% which represents 3.1 million m² of vacant space. In turn, the construction activity increased slightly to 524 thousand m².

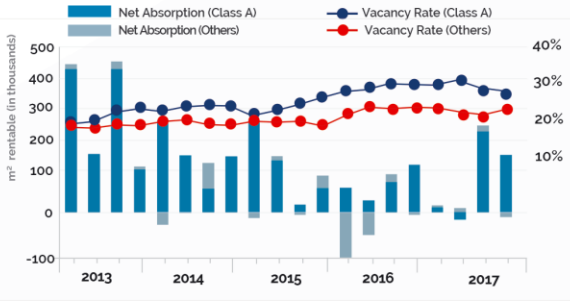
The range of asking rental prices this quarter in the region of Barueri was between R\$14/m²/month and R\$32/m²/month. In the Campinas region asking prices ranged between R\$9/m²/month and R\$27/m²/month and in the region of Guarulhos between R\$14/m²/month and R\$25/m²/month.

The stock of Class A gated industrial and logistical warehouse condominiums in the State of São Paulo recorded a positive net absorption in the 4th QTR 2017 of 133 thousand m² and a vacancy rate of 27.62%. In turn, the stock of Class "Others" recorded a negative net absorption of 13 thousand m² and a vacancy rate of 22,23%.

RANGE OF LEASE ASKING PRICES BY DISTRICT



NET ABSORPTION AND VACANCY RATE



STATE OF SÃO PAULO

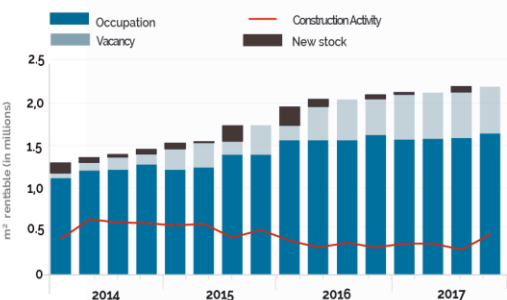
CONSTRUCTION ACTIVITY
354,331 m²

NEW STOCK

VACANCY RATE
28.53%

AVERAGE ASKING PRICE
R\$ 22.11

NEW STOCK / VACANCY / OCCUPATION

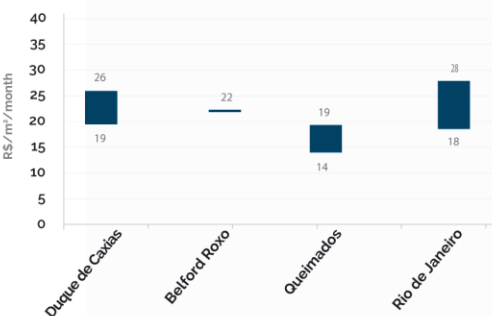


In the 4th QTR 2017, the total stock of gated industrial and logistical condominiums in the State of Rio de Janeiro reached 2.2 million m², and there was an absence of any new deliveries of developments. The vacancy rate in the quarter increased to 28.53% which represents 642 thousand m² of vacant space. In turn, there was a significant increase in construction activity to 354 thousand m².

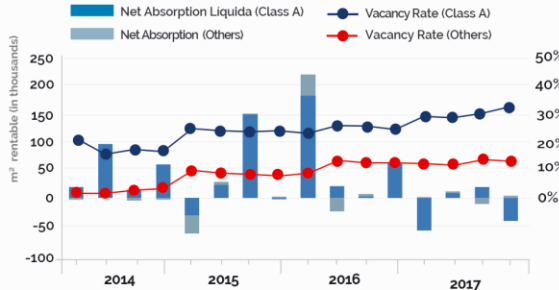
The asking rental prices in this quarter for the district of Duque de Caxias ranged between R\$19/m²/month and R\$26/m²/month, the district of Belford Roxo the asking prices were R\$22/m²/month. In the district of Queimados asking prices ranged from R\$14/m²/month to R\$19/m²/month, while in the capital of Rio de Janeiro asking prices ranged from R\$18/m²/month to R\$28/m²/month.

The stock of gated Class A industrial and logistical condominiums in the State of Rio de Janeiro recorded a negative net absorption in the 4th QTR 2017 of 41 thousand m² and a vacancy rate of 32.56%. In turn, gated industrial and logistical condominiums considered Class Others recorded a positive net absorption of 3,5 thousand m² and a vacancy rate of 14.46%.

RANGE OF LEASE ASKING PRICE BY DISTRICT



NET ABSORPTION AND VACANCY RATE



STATE OF RIO DE JANEIRO

Past trends should not be taken as indicative of future results.

Occupantes shall not be held liable for decisions taken based on the information contained herein.

SUCH SHORT LEASES?

MRS. JOHNSON HAS JUST RECEIVED HER LEASE DOCUMENTATION

This can't be right - this lease has only 19 pages. What's the broker hiding from me?

Yeah, strange. It doesn't even describe how the common area charges are divided.

No time to hire a new attorney. I would suggest speaking to Ocupantes. They will tell you if the lease is fair to the tenant.

CLAUDIO AND RICHARD FROM OCUPANTES ARRIVE

Claudio and Richard, thank you for coming. As I mentioned on the phone, I am concerned that there are things this lease doesn't cover.

No problem, Mrs. Johnson, give us a few moments to analyze it...

...but yes, Brazilian leases are often short. This is because much of the lease relationship is established by law - your right to break at any time, for example.

What a relief! I've got to sign this tomorrow, and I didn't want to have to re-write it.

There is no market rent review clause. That is quite common and acceptable, so long as you remember the third anniversary rent review I explained on the phone.

A FEW MINUTES LATER...

So, in general the lease is fine. It follows a standard for this landlord. We do suggest one addition.

Can we negotiate the split of the Common Area Maintenance charges?

Not in a multi-owned building. The Common Area Charges payable by tenants are defined in law, while the percentage split is defined in the attached Condominium Convention.

And the addition? And what about a Lease Renewal right?

And we recommend adding a non-disturbance clause, stating that if the landlord sells, the lease is to remain valid under the new owner.

This gives you five years of continued lease, so you earn a legal right to renew, at market rent. There are some rules to follow so that you don't lose this right.

Thank you very much guys. I'd certainly like you to help me with the rent review in three years.

Disclaimer: The legal issues are only presented in summary form, there are more details to be known about those depicted here and others.

Ocupantes' research includes a comprehensive database including actual transaction values in each district or region of São Paulo, Rio de Janeiro and other capitals throughout Brazil. It also includes detailed historical track records of vacancy rates, new stock, absorption and construction activity, all of which provide the necessary knowledge to its consultants and clients in order to forecast future trends and maximise the net benefits of every negotiation.