



HIGH-END INDUSTRIAL/LOGISTICS MARKET – RIO DE JANEIRO

A year of pandemic and the impacts on economy

Progress in Covid-19 vaccination programs and new tax stimuli in some developed nations suggest the world may experience more robust economic recovery. A study of numerous databases reveals that monetary stimuli will likely last for awhile, given the slow-down in the world economy. For Brazil however, recovery seems increasingly distant. The GDP shrank 4.1% in 2020, the worst annual result since 1996 (IBGE), exceeding the previous record of -3.5% in 2015. Worsening of the pandemic in late 2020 and the slow pace of vaccination in this country reinforce the people's pessimism regarding the continuity of renewed structural reforms, and the necessary adjustments in government accounts, all essential for sustainable recovery of the Brazilian economy. Emergency economic aid, which last year injected over R\$ 300 billion in the Brazilian economy, ended amidst record unemployment (16.3%), a significant drop in household income and severe reduction in business, especially in the service industry, because of new isolation measures put in place to contain the second wave of Covid-19. On the other hand, a more dynamic global economy could benefit Brazilian exports and its balance of trade, especially if commodity prices go up. The recovery of the Chinese and other core economies of the world, such as the US, following the injection of trillions of dollars, could play a decisive role in improving Brazil's exports. It remains to be seen if this will be enough to offset a rather grim domestic scenario. The Brazilian Central Bank's projections for the GDP this year, and it is still a very uncertain one, has already been downgraded from 3.8% to 3.6%. Consumer inflation was higher than expected in February, especially due to higher commodity prices, both internationally and in local currency. In fact, currency fluctuations had a particular impact on fuel prices. According to the Focus survey, inflation this year should be between 3.5 and 4.6%. In response to this, during its last 1Q21 meeting, Copom felt it prudent to adjust the Selic rate by 0.75 pp to 2.75% and has signaled it will increase it again to 3.5% in May, with further increases as the year progresses. The US\$ ended the quarter at R\$ 5,45 but the Central Bank expects this will drop to R\$ 5,40 by year end.

Market Summary for High-End Condominiums

	General	São Paulo	Rio de Janeiro	Projectio*
Total Inventory (sq.m)	11,50 MM	9,85 MM	2,26 MM	↑
Vacancy Rate	13,3%	12,8%	15,5%	↔
Net absorption in the quarter (sq.m)	148 mil	74 mil	74 mil	↔
Gross absorption in the quarter (sq.m)	311 mil	227 mil	84 mil	↔
Average asking lease (R\$/sq.m/month)	18,31	18,36	18,16	↔
New Inventory Delivered (sq.m)	195 mil	144 mil	51 mil	↑
Under construction (sq.m)	1,7 milhão	1,5 milhão	284 mil	↔

*SP and RJ in the next 3 months, based on past indicators recorded to date

The FGV IBRE Industry Confidence Index (ICI) dropped 3.7 points to 104.2 in March, the lowest it has been since August 2020 (98.7 points). The quarterly moving average dropped 3.6 points. The drop in industry confidence brings with it increased pessimism regarding the coming months. The outlook for lower output is the direct result of a perception of reduced demand and the expectation that businesses may face further difficulties as the pandemic worsens. Measures to contain the spread of Covid-19, slow vaccinations and the end of emergency benefits are affecting important segments of Brazilian industry such as food, which is facing other difficulties due to higher costs and raw material shortages. Confidence levels were down in 11 of the 19 segments surveyed. The sectors with declining confidence are beverages, cleaning suppliers, perfumery and personal care, pulp and paper, footwear, leather and leather goods, furniture and infrastructure works. The sectors with the highest confidence are metallurgy, wood goods, biofuels, non-metallic ores, maintenance and repairs, pharmaceuticals and chemical-pharmaceuticals.

The market for high-end industrial and storage/logistics condominiums is growing all over the country, in response to growing demand due to the growth of online sales.

1Q21 Highlights

- The market for high-end warehouses in Rio de Janeiro is quite promising, with net absorption of 74 thousand sq.m in the quarter.
- The vacancy rate continues to drop, ending the quarter at 15.5%, the lowest since 1Q15.

Demand for high-end industrial/logistics warehouses in RJ remains high

Net absorption of 74 thousand sq.m in the quarter was higher than in 4Q20. The Dutra district absorbed 57% of this. Quarterly gross absorption was 84 thousand sq.m.

The largest leases whose occupants were announced came from the transport/logistics, e-commerce and retail segments.

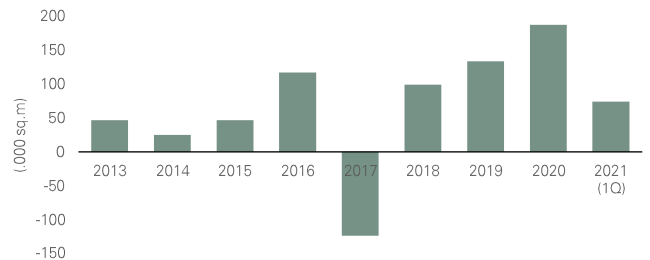
The vacancy rate continues to drop

The average asking monthly rent in the quarter was R\$ 18,15/sq.m, about 5% below the first and last quarters of 2020. Despite new deliveries, the vacancy rate dropped significantly, in particular in Duque de Caxias - for the 2nd consecutive quarter.

Queimados-Seropédica, where recent deliveries are not yet occupied (expansion of an existing venture) saw the highest increase in vacancy - from 19.4% to 22.7%.

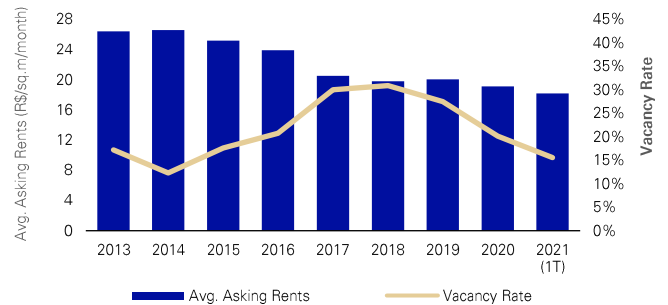
Demand History

NET ABSORPTION



Historical Supply and Asking Rents

AVERAGE ASKING RENT VS. VACANCY

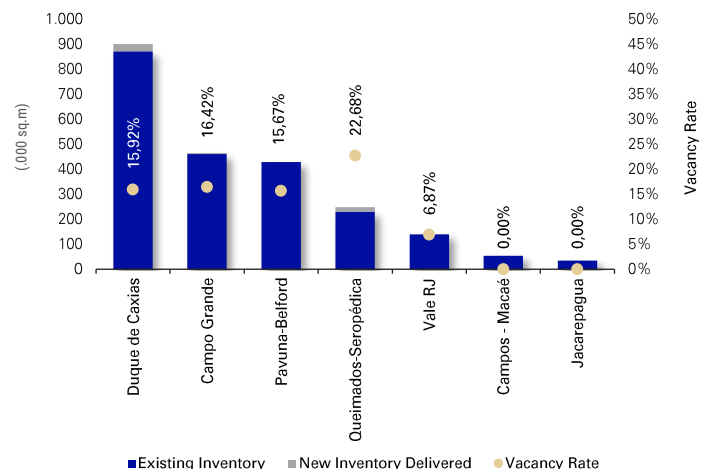


Significant Transactions in the Quarter

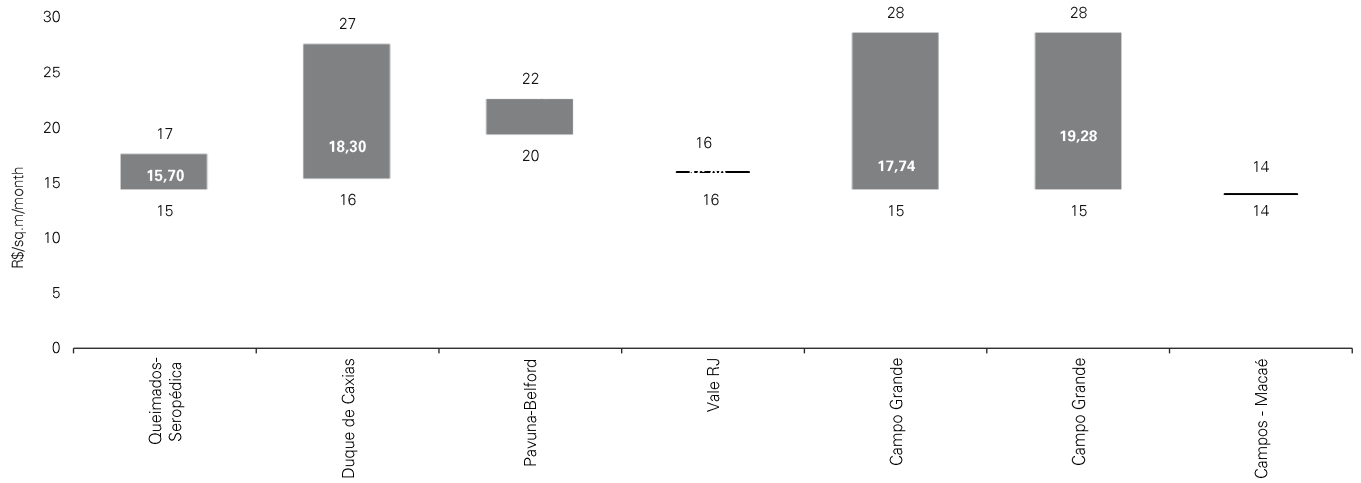
Tenant	Condominium	Total leased area (sq.m)
Não Informado	Cargo Park	10,582
C&A	Distribution Park Dutra	9,756
Não Informado	Cargo Center Dutra V	8,967
Não Informado	Distribution Park Duque de Caxias	8,208
OnTime Logística	Goodman Caxias	4,102
Infracommerce	Multimodal Duque de Caxias	1,992

Existing Supply and New Offer by Region

TOTAL INVENTORY VS. NEW INVENTORY DELIVERED VS. VACANCY RATE



Minimum, Average and Maximum Asking Rent per Region



Main Class AAA, AA and A Developments Under Construction

	Property	Region	Macro Region	Leasable Area (sq.m)	Expected Delivery
	AQ³ LOG Queimados	Queimados-Seropédica	Dutra	44,316	2Q/2021
	Prologis Dutra RJ – Bloco 200	Duque de Caxias	Dutra	29,827	3Q/2021
	Santa Cruz Desenvolvimento Modular	Santa Cruz	Rio de Janeiro (capital)	28,710	2Q/2021
	Hiire Capital Galeão	Ilha do Governador	Rio de Janeiro (capital)	20,900	4Q/2021

RESEARCH 1Q 2021

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Zimbabwe

MIDDLE EAST

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United Arab Emirates

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