



# Rio de Janeiro Industrial and Logistics Market

## Expectations for the economy in 2023

Global economic activity remains resilient, despite the monetary policy and stresses on the international banking industry. World economic growth remains below its potential, but is still going on, with active job markets and household consumption. Dynamic activity, especially in the service industry, continues to pressure inflation, which remains high all over the world. The Brazilian GDP increased 1.9% in the first quarter, following a slight drop in the last quarter of the year. This growth was higher than expected, but economic activity is expected to further slow down in 2023. The higher GDP was primarily a reflection of agriculture and livestock, which increased 21.6% following a record soy harvest. Other sectors remained relatively stable, while manufacturing industry and construction dropped once again. Extraction and utilities (power, gas, and water generation and distribution) advanced a bit. Although global commodity prices are dropping, they are still quite high, making Brazilian soy and crude oil competitive. Services, except for transportation, storage, mail, finance, insurance, and related services, remained unchanged. Government consumption increased 0.3%. Despite a larger number of employed people, and income growing above inflation, household consumption grew only 0.2%, the lowest percentage of the past 7 quarters. Deflation in commodities and a better exchange rate helped reduce inflation in the quarter. Wholesale prices dropped, contributing to deflating consumer prices. Considering this, the basic interest rate should drop in the second half of the year, which will positively impact private spending, especially in 2024. The interest rate at the end of the second quarter remained at 13.75%. The so-called Extended Consumer Price Index (IPCA) went from 5.8% to 5.0%, with a basic annual interest rate of 12.25% and a USD exchange rate of R\$ 5,00 by the end of 2023.

### Summary of the Market for High-End Condominiums

	Current Quarter	Previous Quarter	Same period in 2022	12-month projection
Total Inventory (sq.m)	2.8 Mn	2.8 Mn	2.6 Mn	↓
Vacancy Rate	16.5%	18.4%	12.5%	↓
Net absorption in the quarter (sq.m)	54 thous.	-7 thous.	35 thous.	↑
Gross absorption in the quarter (sq.m)	70 thous	26.7 thous	65 thous.	↑
Average asking rent (R\$/sq.m/month)	20.94	21.06	20.79	↔
New Inventory Under Construction (sq.m)	21 thous	92 thous.	166 thous.	↓

Q2 data published by CNI, the National Federation of Industries, shows that manufacturing output is stable, but below of pre-pandemic levels. Most manufacturing industries are still feeling the effects of a more restrictive monetary policy, Such as tighter credit, which impacts businesses and consumers. High interest rates and high levels of household debt using up a larger share of income contributed to growing rates of default, further pressuring manufacturing industry. As a result, the combined GDP for manufacturing industries should drop 0.9%. Contribution on the other hand should continue to grow, with an expected GDP growth this year of 1.5%, partly as a reflection of businesses initiated in 2020. Manufacturing GDP should increase 0.6% in 2023. The results experienced by the real estate industry in Rio de Janeiro the demand recovery in Q2.

### Current Conditions

- Demand in Rio de Janeiro recovered, and net absorption in the quarter was 54 thousand sq.m;
- As a result, the vacancy rate went from 18.4% to 16.5%.
- Asking rents remain relatively unchanged, ending the quarter at R\$ 20.94/sq.m.

### Recovering demand in the quarter

Occupied warehouse space in Rio de Janeiro has been dropping since 3Q22, but this quarter experienced net absorption of 54 thousand m<sup>2</sup>.

The most significant new tenants were service players, in particular water utilities and logistics. The largest industrial tenants were beverage players.

### Drop in new construction

There were no new deliveries or expansions in Rio de Janeiro this quarter.

New deliveries in 2023, originally expected to be 92 thousand sq.m, will now be only 21 thousand sq.m due to an expansion project. New construction has been dropping, which can be positive to contain and/or even reduce the vacant offer.

The vacancy rate went from 18.4% to 16.5%, especially due to a transaction in Duque de Caxias. Compared to the end of 2022, the level of vacant supply remains practically stable.

The average asking monthly rent ended the quarter at R\$ 20.94/m<sup>2</sup>/month, also stable in the quarterly and annual comparison.

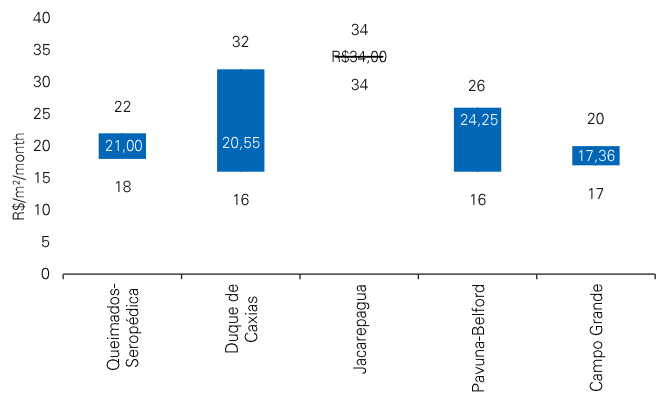
Asking rents range from R\$ 16 to R\$ 34/m<sup>2</sup>, depending on location and technical specs.

### Expectation for 2023

The last 3 quarters have been challenging for industrial/logistics warehouses in Rio de Janeiro. All indications are that the market could be even less stable this year, as most major occupants have completed their lease transactions. We must also bear in mind the impact that retail tenants may generate on the market, since one of the ten largest tenants in the segment in Rio de Janeiro comes from this industry, which has been experiencing instability due to the loss of strength of consumption in the country.

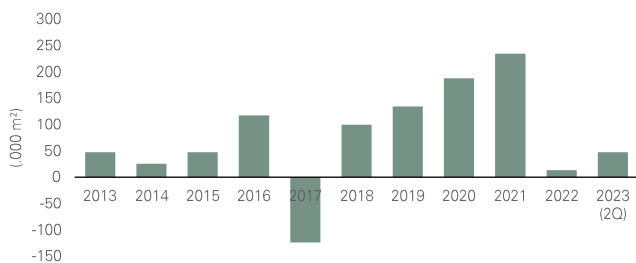
Furthermore, the domestic economic situation is still uncertain, and there is the risk of a global recession.

### Minimum, Average and Maximum Asking Rent



### Historical Demand

#### NET ABSORPTION



### Historical Supply and Asking Rents


#### AVERAGE ASKING RENTS AND VACANCY



### Sample of Transactions in the Quarter

Type of Transaction	Property	Region	Tenant/Buyer	Owner/Seller	Total area leased/sold (m <sup>2</sup> )
Locação	Syslog Galeão	Rio de Janeiro (capital)	Águas do Rio	XP LOG FII	10,025.63
Renovação	HGLG Washington Luiz	Duque de Caxias	Prime Soluções Logísticas	HGLG Washington Luiz	2,439.03
Locação	Multimodal Duque de Caxias	Duque de Caxias	Expresso Descalvado	Multimodal Duque de Caxias	2,035.74

### Class AAA, AA and A Under Construction

	Property	City	Axis	Leasable area (m <sup>2</sup> )	Expected Delivery
	H. Log Galeão	Ilha do Governador	Linha Vermelha	20,900	2023

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