



# São Paulo 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, with the exception of 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)	13.0 Mn	12.9 Mn	11.7 Mn	↑
Vacancy Rate	10.2%	11.8%	11.6%	↑
Net absorption in the quarter (sq.m)	276 thousand	361 th.	440 thousand	↑
Gross absorption in the quarter (sq.m)	366 thousand	536 th.	525 thousand	↑
Average asking rent (R\$/sq.m/month)	23.95	24.13	21,17	↑
New Inventory Under Construction (sq.m)	1.39 Mn	1.6 Mn	1.2 Mn	↓

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 SP in Q2 confirm the continued high level of activity in São Paulo.

### Current Conditions

- Intense lease activity and shrinking new inventory caused the vacancy rate to drop to 10.2%.
- Despite a slight drop in demand indicators this quarter, the outlook is promising, with net absorption of 637 thousand m<sup>2</sup>, and gross absorption of 902 thousand m<sup>2</sup>.
- Average asking rents are relatively stable at R\$ 23,95/m<sup>2</sup>

### Continuously growing demand

Although demand indicators dropped somewhat this quarter (536 to 366 thousand sq.m gross absorption, and 363 to 276 thousand sq.m net absorption between Q1 and Q2), returns were down 48% (90.5 thousand sq.m in the quarter). The most significant transactions between known parties in São Paulo involved players in the service industry, in particular distribution and logistics, but were closely followed by manufacturing industry, in particular automotive players. The largest net absorptions in the quarter were in Campinas, Cajamar, and Guarulhos.

### New deliveries slowed down in the quarter

The inventory of high-end industrial and logistics warehouses increased by 30 thousand sq.m this quarter, mostly in Barueri and Santo André.

Declining new deliveries, fewer returns, and intense leasing activity caused a further drop in the average vacancy rate this quarter.

However, significant deliveries are expected by year end - 1.39 million sq.m, about the same volume delivered last year (1.6 million m<sup>2</sup>), which can increase the vacant supply.

### Falling vacancy rates

Overall, the vacancy rate in the state of São Paulo dropped from 11.8% to 10.2%. The vacancy rate is lowest (9.5%) within a 40 km radius of the city of Sao Paulo, and about 11.3% in the interior of the state.

The regions that currently have the lowest vacancy rates are Ribeirão Preto (2.2%), Sorocaba (4.0%), and ABCDM (4.8%). The largest declines in vacancy rate were in the Paraíba Valley, Campinas, and Jundiaí.

The average asking rent in São Paulo followed the uptrend, and closed at R\$ 23.95, 13% higher than in 2Q22. This is the result of high demand and new higher quality inventory delivered in the high-value areas of the state.

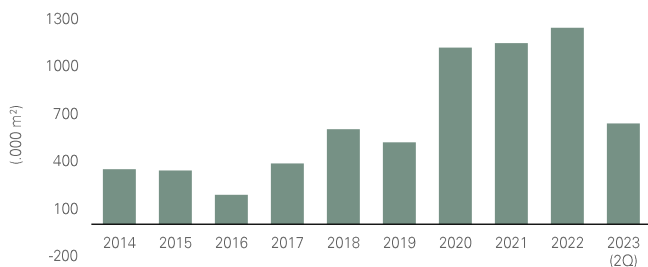
Asking rents are even higher in metropolitan São Paulo, defined as a 40 km radius from the center. R\$ 25.37sq.m/month. The highest asking rents were in ABCD, São Paulo, and Guarulhos.

### Expectation for 2023

All indications are that the market should stabilize in 2023, given that most major occupants have completed their lease transactions. The growth in demand and construction experienced in the past 3 years may slow down over the medium to long terms.

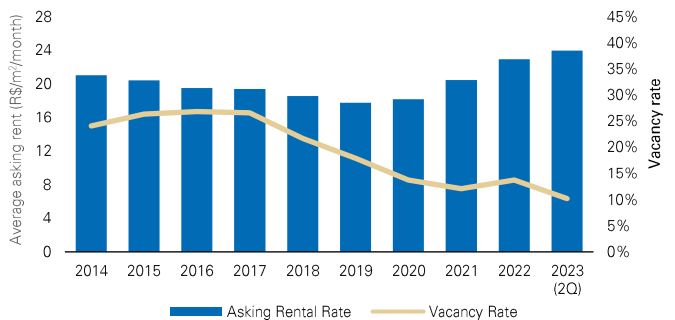
## Historical Demand

### NET ABSORPTION

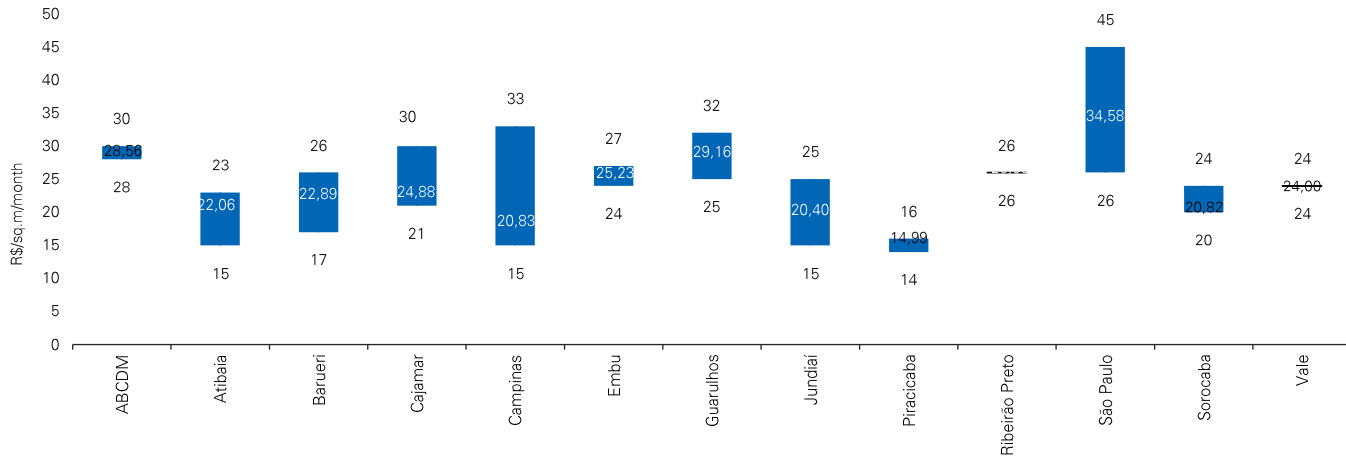


## Historical Supply and Asking Rents

### AVERAGE ASKING RENTS AND VACANCY



## Minimum, Average and Maximum Asking Rent by Region



## Significant Transactions in the Quarter

Type of Transaction	Property	Region	Tenant/Buyer	Owner/Seller	Total area leased/sold (m <sup>2</sup> )
Lease	Urban Hub Guarulhos	Guarulhos	Platinum Log	ALIANZA URBAN HUB RENDA FII	3,518.36
Lease	Bresco Osasco	São Paulo	Olist	Bresco Investimentos	4,328.00
Lease	Voke Chaparral	Jundiaí	Grupo Muffato	Grupo Voke	20,583.00
Lease	Centeranel Cajamar	Cajamar	GrupoSC Medicamentos	Racional Engenharia	22,648.00
Lease	HGLG Itupeva	Jundiaí	Mercedes-Benz	CSHG Logística FII	44,965.12
Sale	Bresco São Paulo	São Paulo	JBS	Bresco Logística - FII	53,764.59

## Sample of Class AAA, AA and A Developments Under Construction

Property	City	Axis	Leasable area (m <sup>2</sup> )	Expected Delivery
 GS Espaço Empresarial Park Marginal Belém	São Paulo	Marginal	31,100	2023
 Syslog Cajamar	Cajamar	Anhanguera / Bandeirantes	187,995	2023
 SBC LOG	S. Bernardo do Campo	Anchieta/Imigrantes	190,127	2023
 GLP Guarulhos II	Guarulhos	Dutra	246,403	2023

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