



RESEARCH 4Q 2020



## HIGH-END INDUSTRIAL/LOGISTIC MARKET – RIO DE JANEIRO

# Economic Outlook in 2020

In late 2019, the economic outlook was one of moderate optimism. The social security reform had been approved, public accounts were moving in the right direction, and inflation, although above the target, remained under control. So much so that the basic interest rate was at a record low. While disappointing, the GDP did increase between 2017 and 2019 and unemployment gradually let up, ending 2019 at 11%, the lowest it had been in four years. Meanwhile, the number of stock market investors reached a record high. When COVID-19 hit the country, Brazil was forced to implement social isolation rules to contain the virus. This worsened the economic situation. Schools, stores and companies shut down, which drove down tax revenue, increased unemployment, worsened the exchange rate and led to a May inflation rate that was the highest it had been in 22 years. All indications were that the nation's economy in 2020 would be severely impaired and was expected to shrink by a record 9.6%. Soon after, manufacturing industry and trade benefitted from emergency government assistance and tax incentives, as well as Federal job programs. This is particularly true for online sales, with new entrants and revenues increasing month by month, as, with no B&M stores open, consumers were essentially forced to go online. In the third quarter the GDP dropped 7.7% compared to the previous quarter, but by December expectations were not as bleak, and a 4.4% reduction was expected for the year. Uncertainty for 2021 is even higher than normal. The Central Bank expects the GDP to grow 3.8%, so long as the necessary reforms and adjustments continue to be made, all of which are essential for the sustainable recovery of Brazil's economy. COVID-19 vaccinations during the course of 2021 are also likely to reduce uncertainty and drive demand in areas hurt by social isolation, in particular services. *Focus*, the BCB Bulletin, expects inflation to be 4.2% in 2020 and 3.3% in 2021. The same source indicates that the Selic rate will remain at 2.00% a year through August, and then gradually increase to 3.00% by year end. The US Dollar, which reached a record high of R\$ 5,94, ended 2020 at R\$ 5,20 and should drop to R\$ 5,00 by the end of this year.

## Market Summary for High-End Condominiums

	General	São Paulo	Rio de Janeiro	Projections*
Total Inventory (sq.m)	11.5 million	9.36 million	2.14 million	↑
Vacancy Rate	14.9%	13.7%	20.1%	↔
Net absorption in the quarter (sq.m)	574	539	35	↔
Gross absorption in the quarter (sq.m)	577	559	51	↔
Average asking rents (R\$/sq.m/month)	R\$ 18,38	R\$ 18,14	R\$ 19,12	↔
New Inventory Delivered (sq.m)	164	164	0	↑
Under construction (sq.m)	838	786	52	↔

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

The most recent reports (*Sondagem da Indústria*) issued by the National Federation of Industries show that manufacturer started to grow once again in November, with more employees hired. Industrial activities have been on the rise since September. The indicators that show Installed Capacity Utilization (ICU) remained high in November (79.9%), reinforcing an increase in activity in manufacturing industry. Although in November the ICU dropped 0.2 p.p., it remains above what it was in November 2019 (78.3%). However, real revenue in manufacturing industry dropped 1.2% between October and November 2020. The executives in most industry sectors are confident however, especially in the chemicals and pharmaceuticals industries, transportation equipment and infrastructure.

The market for high-end logistics and warehouses in Rio de Janeiro ended the year on a high.

## 4Q 2020 HIGHLIGHTS

- Although demand in Rio de Janeiro is slightly lower than in São Paulo, the net absorption in the period was 35 thousand sq.m, ending the year at 188 thousand, a record for the period analyzed (2013– 2020).
- The overall vacancy rate for the main markets (São Paulo and Rio de Janeiro) continues to drop, and ended the quarter at 14.9%, compared to 17.9% in the previous quarter. The amount of vacant industrial space in São Paulo and Rio de Janeiro dropped, particularly in São Paulo. In Rio de Janeiro the vacancy rate went from 21.7% to 20.1%.

## Although less than the previous quarter, absorption of high-end industrial/logistics properties in Rio de Janeiro was record

Year-to-date net absorption in Rio de Janeiro was a record 188 thousand sq.m in Rio de Janeiro, well above the historical average of 50 thousand. Gross absorption in the quarter was 51 thousand sq.m, and in the year reached a record breaking 240 thousand sq.m. The largest transactions whose occupants have been released were petrochemicals, e-commerce and transportation/logistics sectors. The largest net absorption last quarter was in Duque de Caxias 41.5 thousand sq.m.

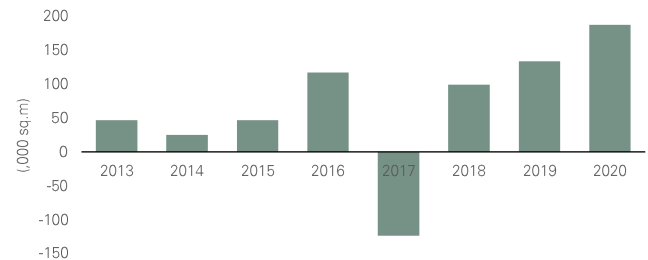
### The vacancy rate continues to drop

The average asking rents was R\$ 19.12/sq.m/month, almost unchanged compared to the previous quarter and 4.6% below the average at the end of 2019. Despite new deliveries in Campos-Macaé and Campo Grande, the vacancy rate dropped from 21.7% to 20.1%.

The vacancy rate dropped particularly in Duque de Caxias, from 35.7% to 30.3%. The largest increase was in Jacarepaguá, where the vacancy rate jumped from 3.4% to 18.4% due to inventory delivered in the period.

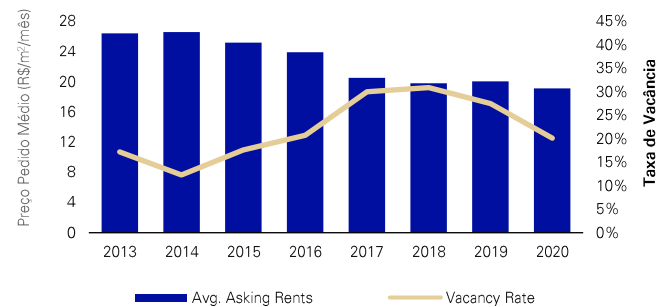
## Demand History

### NET ABSORPTION



## Historical Supply and Asking Rents

### AVERAGE ASKING RENT VS. VACANCY

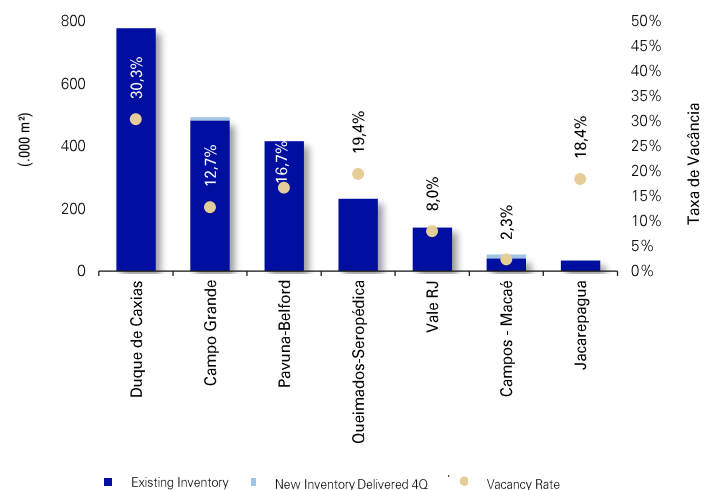


## Significant Transactions in the Quarter

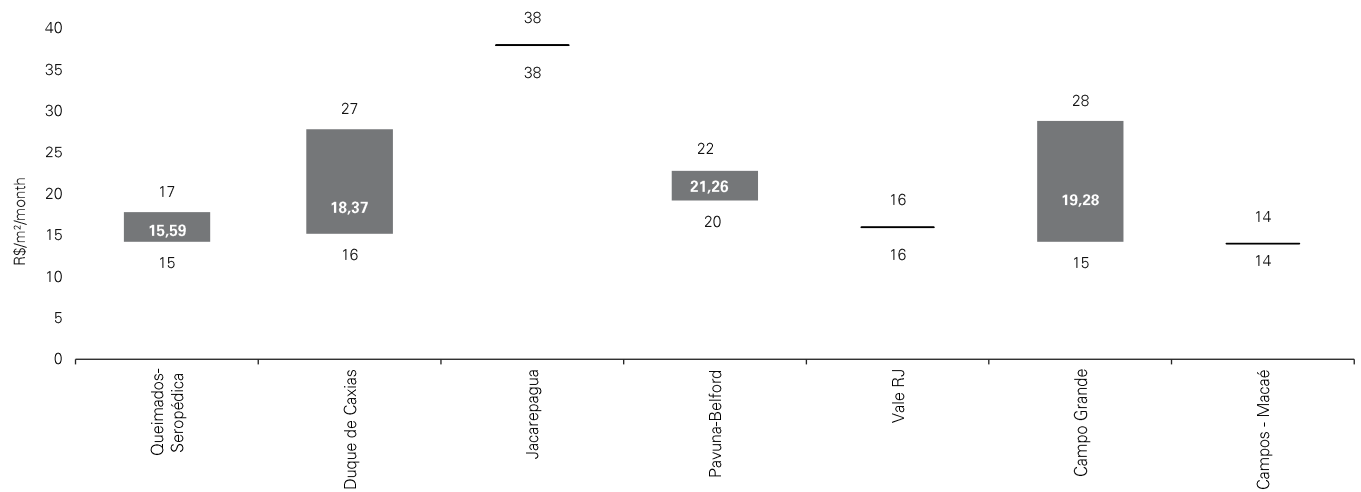
Tenant	Condominium	Total leased area (sq.m)
Not informed	Golgi Duque de Caxias	34.232
Not informed	Prologis Dutra	11.000
SuperPrix	Syslog Galeão	2.606
Not informed	LOG Itatiaia	1.504

## 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	Expected Delivery
	AQ³ LOG Queimados	Queimados-Seropédica	Dutra	44.316	1Q2020
	TRX Santa Cruz (G1)	Campo Grande	Av. Brasil	28.700	1Q2020
	Prologis Dutra RJ – Bloco 200	Duque de Caxias	Dutra	29.827	1Q2021
	Cargo Center Dutra V	Queimados-Seropédica	Dutra	17.934	1Q2021
	Santa Cruz Desenvolvimento Modular	Santa Cruz	Rio de Janeiro (state capital)	28.710	2Q2021
	Hiire Capital Galeão	Ilha do Governador	Rio de Janeiro (state capital)	20.900	4Q2021

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#### **NORTH AMERICA**

Canada  
United States

#### **LATIN AMERICA**

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Brazil  
Chile  
Colombia  
Costa Rica  
Dominican Republic  
Mexico  
Peru  
Puerto Rico

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Belgium  
Czech Republic  
France  
Germany  
Ireland  
Italy  
Netherlands  
Poland  
Portugal  
Rumania  
Russia  
Spain  
Switzerland  
Ukraine  
UK

#### **ASIA PACIFIC**

Australia  
Cambodia  
China  
Hong Kong  
India  
Indonesia  
Japan  
Malaysia  
New Zealand  
Singapore  
South Korea  
Taiwan  
Thailand

#### **AFRICA**

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Botswana  
Kenya  
Malawi  
Nigeria  
South Africa  
Tanzania  
Uganda  
Zambia  
Zimbabwe

#### **MIDDLE EAST**

Saudi Arabia  
Arabia  
United Arab Emirates

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