



RESEARCH 4Q 2020



## HIGH-END INDUSTRIAL/LOGISTIC MARKET - SÃO PAULO

# 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. Uncertainly 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 lease (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 manufacturing started to grow once again in November, with more employees hired. Industrial activities have now 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. Although in November the ICU dropped 0.2 p.p., it remained 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 of most industry sectors are confident, especially in the chemicals and pharmaceuticals industries, transportation equipment and infrastructure.

The market for high-end logistics and storage warehouses in São Paulo ended the year on a high.

## 4Q20 HIGHLIGHTS

- Continuing the year's trend, the fourth quarter showed a large volume of new occupancy, resulting in a net absorption of 539 thousand sq.m.
- As a result, the volume of occupied increased by 1.118 million sq.m, a record high since 2013. There were few returns, so gross absorption in the quarter and the year-to-date were also records: 559 thousand and 1,565 million sq.m respectively.

## The market for high-end industrial and logistics properties ended 2020 with record absorption, confirming strong growth

In line with the positive numbers earlier in the year, 4Q20 also saw large net absorption - 539 thousand sq.m, yielding a record year-to-date net absorption of 1.118 million sq.m. Sixty-four percent of this net absorption was in metropolitan SP, in particular Cajamar, Guarulhos and Embu, confirming demand in areas close to the state capital. Gross absorption in the quarter was 559 thousand sq.m, and in the year reached a record breaking 1,565 million sq.m. The largest transactions whose occupants have been released involve automotive looking for premises to store inputs and parts, e-commerce and transportation-logistics.

## This record absorption resulted in the lowest vacancy rate in recent years

With market growth, the vacancy rate continued to drop, despite the large number of new developments delivered along the year. Between 3Q and 4Q20 the vacancy rate dropped from 17% to 13.7% in the main areas of the state.

Average asking monthly leases ended the quarter at R\$ 18,14/m<sup>2</sup>, essentially unchanged compared to 3Q20, and 2% higher than the average asking rent one year ago. The highest asking leases are found within a 25 km radius of downtown SP, where they were R\$ 28,00/sq.m/month.

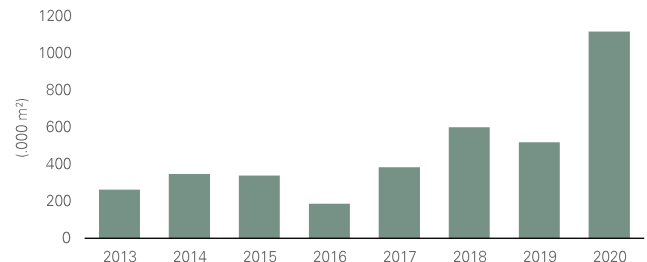
The vacancy rate in metropolitan SP has dropped significantly, from 11.2% to 4.9%. The largest drop was in Guarulhos, where the percent vacant warehouse space went from 12.3% to 2.2%. The largest quarterly increase was in Campinas, where the vacancy rate went from 19.2% to 27.2% due to new inventory delivered but not occupied.

### Significant Transactions in the Quarter

| Tenant                                    | Condominium                   | Total leased area (sq.m) |
|---|-------------------------------|--------------------------|
| Ford                                      | Icon Realty Cajamar           | 77,076                   |
|   | DVR Business Park Porto Feliz | 71,421                   |
| Westwing - Casa & Decoração Golgi Jundiaí |                               | 27,757                   |
| Suzano Papel e Celulose                   | Golgi Rodoanel Dutra          | 12,570                   |
| Liotécnica                                | Distribution Park Embu        | 10,928                   |
| Steck                                     | Golgi Jundiaí                 | 8,295                    |

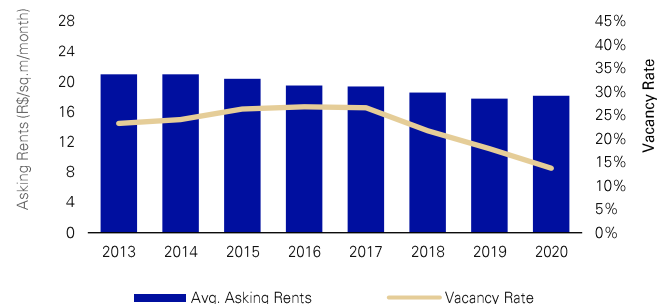
### Demand History

#### NET ABSORPTION



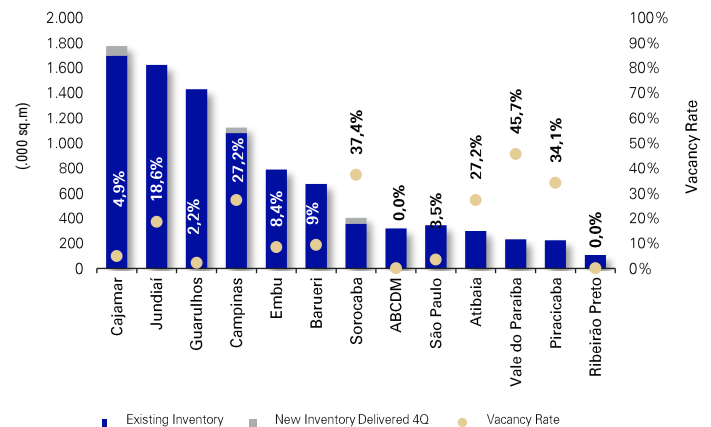
### Historical Supply and Asking Rents

#### AVERAGE ASKING RENT VS. VACANCY

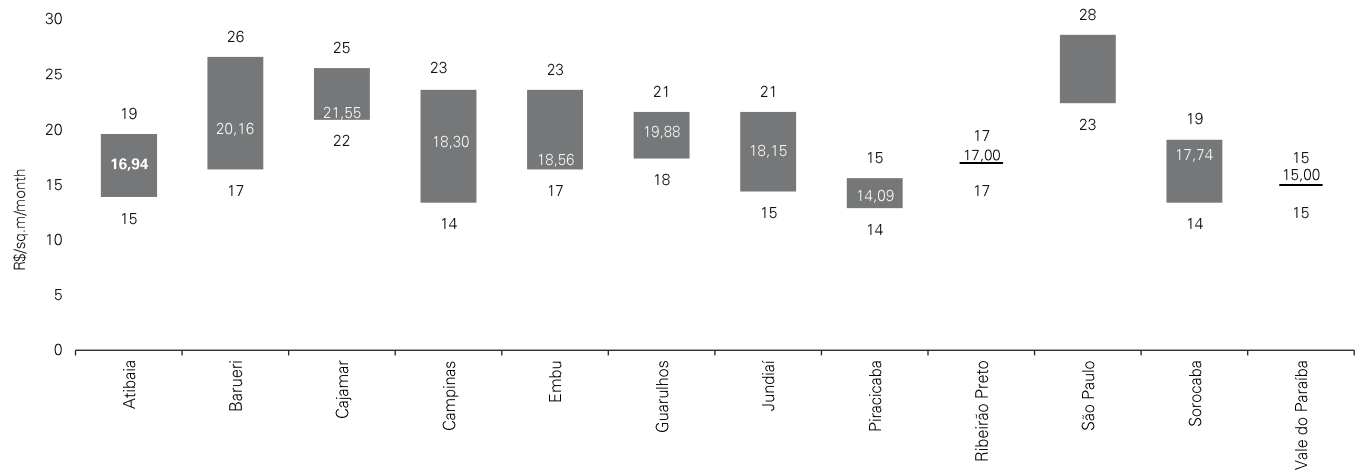


### Existing Supply and New Offer by Region



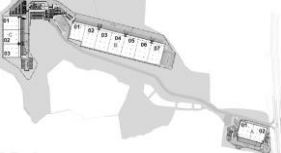




#### TOTAL INVENTORY VS. NEW INVENTORY DELIVERED VS. VACANCY RATE



## 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 |
|---|-----------------------------------|---------------------|---------------------------|---------------|-------------------|
|   | GLP Cajamar III                   | Cajamar             | Anhanguera / Bandeirantes | 57,944        | 1Q2021            |
|  | GLP Mauá                          | ABCD                | Anchieta/Imigrantes       | 81,470        | 2Q2021            |
|  | GLP Regis                         | Itapeceira da Serra | Dutra / Ayrton Senna      | 91,474        | 2Q2021            |
|  | Bresco - G2 Viracopos             | Campinas            | Anhanguera / Bandeirantes | 50,800        | 3Q2021            |
|  | GLP Guarulhos II                  | Guarulhos           | Dutra                     | 250,140       | 3Q2021            |
|  | Condomínio Rod. Régis Bittencourt | Embu                | Regis Bittencourt         | 3902          | 3Q2021            |
|  | Bresco Osasco                     | Osasco              | São Paulo                 | 24,700        | 4Q2021            |

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## RESEARCH 4Q 2020

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Zambia  
Zimbabwe

#### **MIDDLE EAST**

Saudi Arabia  
Arabia  
United Arab Emirates

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