



RESEARCH 3Q 2021

MARKET FOR HIGH-END OFFICES - SÃO PAULO

Economic activity returns to pre-pandemic levels in the 3rd quarter

The global economy continues to recover, although some leading economies showed signs of slowing down in the third quarter due to the pandemic, and the inability of global supply to adjust to changing demand. This has resulted in stockouts in several global supply chains, driving up manufacturing and distribution costs, especially in the automotive and construction industries. Differences in economic activity across countries continues. In the US and Europe, the rapid roll-out of vaccination and the end of restrictive measures made it easier for jobs and the service industry to recover, driving economic activity. In China however, growth slowed due to a resurgence of the Corona virus, once again affecting urban mobility. Climate events have also impacted the economy of some regions. In China there has been a slow-down in the real estate industry, precipitated by the crisis experienced by Evergrande, that country's 2nd largest developer, and regulatory measures to avoid excess leverage and contain speculation. Year-over-year, although the health crisis remains, and despite the reduction in emergency aid, Brazilian economic performance once again exceeded expectations, with the GDP ending the quarter 1% higher than in 2020, totaling R\$ 2.048 trillion, returning to the pre-pandemic levels. According to the Central Bank's most recent Inflation Report (September 2021), it expects the nation's GDP will grow 4.7% in 2021. Economic activity is resuming all over the world. This, plus higher prices for basic goods such as food, iron ore, crude oil and commodities, favoring farming, ranching, and extractive industries, should help reduce unemployment, which currently stands at 13.7%. All these are strong indicators of future growth. On the other hand, there remain significant threats for economic recovery. A worsening water crisis, especially if power must be rationed, worsening of the pandemic, which still requires close monitoring, and the fiscal risk, basically increased government accounts with no government strategy to contain growing debt. Consumer inflation, measured by the IPCA, increased 1.16% in September and 6.9% in the year, and could reach 8.3% by year-end. Copom adjusted the Selic to 6.25% p.y. at its September meeting, and it could go up to 7% or more by the end of the year to ensure the inflation target is met. The US\$ ended the quarter at R\$ 5,45 but the Central Bank expects this will drop to R\$ 5,25 by the end of this year.

Market Summary (all regions*)

	Current quarter	Previous quarter (2021)	One year ago (3Q20)	Projections**
Total Inventory (sq.m)	5.13 Mn	5.08 Mn	4.76 Mn	↑
Vacancy Rate	25.6%	25.1%	16.4%	↑
Net absorption in the quarter (sq.m)	6 th.	-46 th.	-24 th.	↑
Gross absorption in the quarter (sq.m)	117 th.	71 th.	35 th.	↑
Average asking rent (R\$/sq.m/month)	87,81	88,67	74,86	↔
New Inventory Delivered (sq.m)	45 th.	79 th.	55	↑
Under construction (sq.m)	98 th.	156 thousand	262 thousand	↓

* Class AAA, AA and A in all SP districts: CBD + Non CBD (Barra Funda and Alphaville)
** all regions, next 3 months, based on past indicators recorded to date

3rd Quarter Highlights

- New leases in high-end buildings in São Paulo went up in the third quarter, totaling 117 thousand sq.m, the best result to date.
- Even though office space continues to be vacated and returned, net absorption this quarter was positive by 6 thousand sq.m. Looking only at CBDs, net absorption was 28 thousand sq.m close to the historical quarterly average of 32 thousand sq.m between 2007 and 2020. This is the first positive indicator after 5 consecutive quarters of decreasing occupied office space.
- New inventory dropped somewhat to 45 thousand sq.m, most of this in two buildings located in one of the Central Business Districts, and another in a non-CBD part of the city.
- The vacancy rate barely shifted, despite new inventory and returned spaces, going from 25.1% to 25.6%.
- Asking rents remained essentially stable in the third quarter, averaging R\$ 87,81/sq.m in all survey regions, including Alphaville. In CBD districts, the average asking monthly rent ended the quarter at R\$ 99,26/sq.m.

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Net absorption in September was positive for the first time in five quarters

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Stability in overall offer level

The quarterly vacancy rate is essentially unchanged, despite new deliveries and returned premises. The vacancy rate was 26.5%, compared to 25.1% in the previous quarter. The vacancy rate in CBDs went from 24.0% to 23.8%, and in Premium CBDs (Paulista, Jardins, Pinheiros, Faria Lima, Itaim, JK, Berrini, Chucr Zaidan and Vila Olímpia), 19.5% of the office space is vacant (compared to 19.9% in the second quarter). Average asking rents also remained stable - R\$ 87,81 compared to R\$ 88,67 sq.m in 2Q21 across all survey regions. The average rent in CBDs is R\$ 99.26/sq.m. If we look only at properties in Premium CBDs - more modern, higher value -, the average asking rent jumps to R\$ 113.38/sq.m.

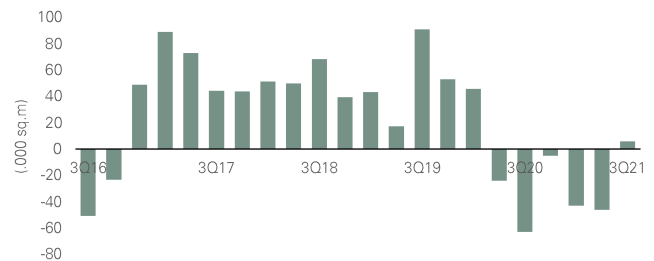
Supply is declining in most Premium submarkets

Except for Berrini, Jardins and Paulista, supply is declining in all Premium CBDs, with below-average vacancy rates that are within what we consider a balanced market. The highest increase in percent vacancy this quarter were found in Marginal and Alphaville due to returned premises.

The largest drop - from 46.3% to 43% - was in Chácara Santo Antônio, due to the change of large company in the pharmaceutical industry computed in net absorption this quarter.

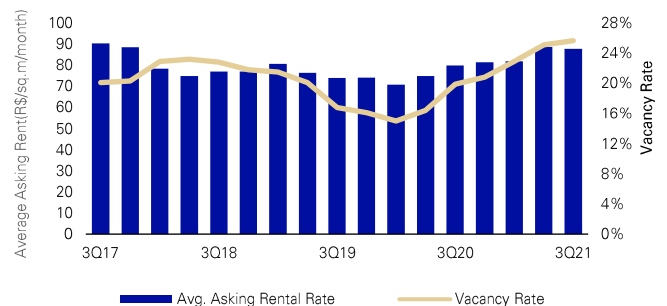
Demand History

NET ABSORPTION



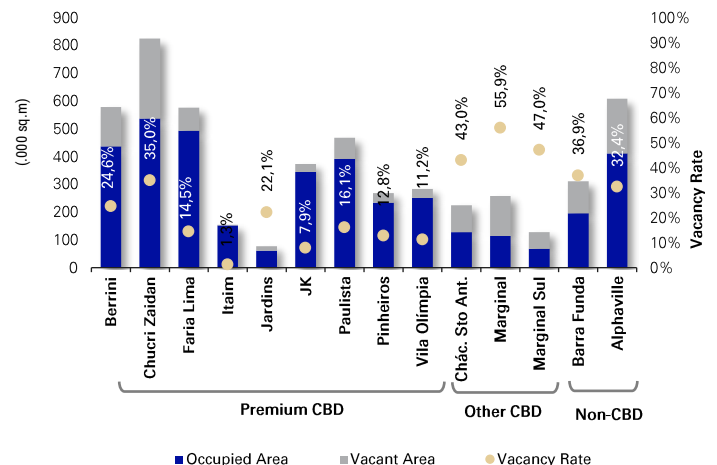
Historical Offer and Asking Rents

AVERAGE ASKING RENT VS. VACANCY

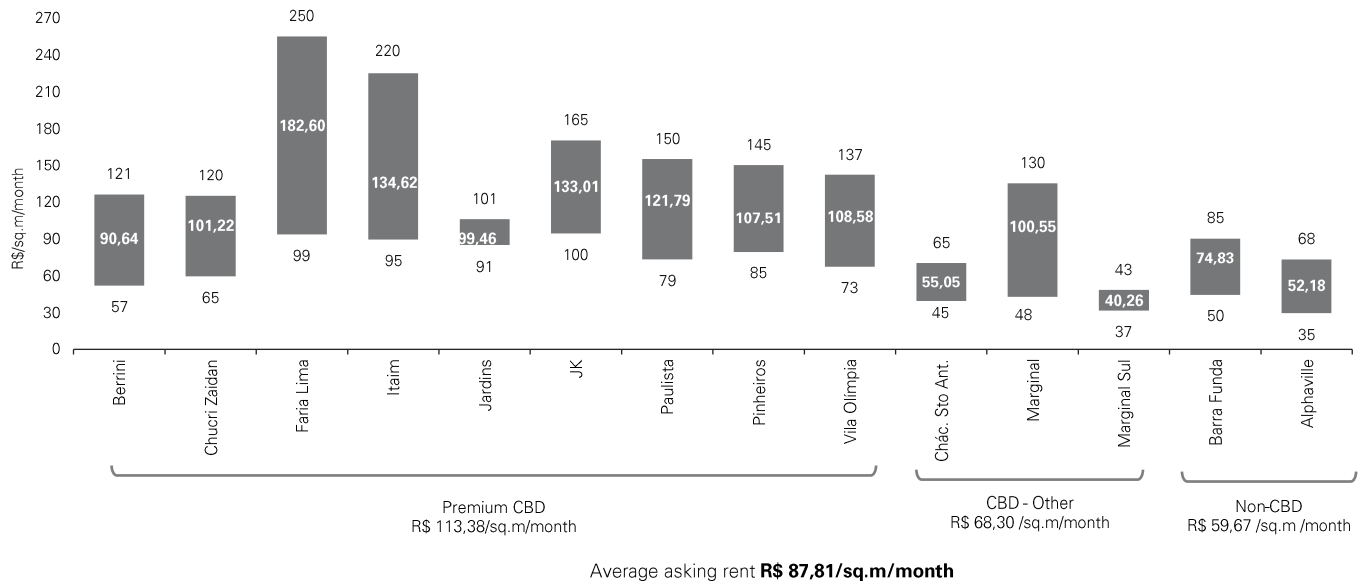


Occupancy and Vacant Space per Region

OCCUPIED VS. VACANT AREA VS. VACANCY RATE



Minimum, Average and Maximum Asking Rent per Region



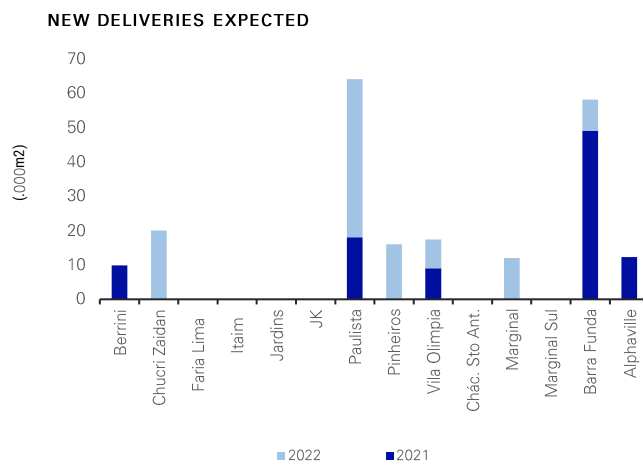
Significant Transactions in the Quarter

Tenant	Industry	Property	Region	Type Transaction	Total leased area (sq.m)
ABB	Industrial – Automation and infrastructure	Time Jardim das Perdizes - Torre Corporate	Barra Funda	Lease	4,006
Petlove	Trade – E-commerce	CENU - Torre Oeste	Berrini	Lease	3,669
Cescon, Barriue, Flesch & Barreto Advogados	Attorney Services	Faria Lima Plaza	Faria Lima	Lease	3,117
DPZ & T	Marketing/Advertising Services	Mourato 1404	Pinheiros	Lease	2,421
Telefônica Cloud and Tecnologia do Brasil	Services - Technology	iTower - Complexo Iguatemi Alphaville	Alphaville	Lease	1,519
enjoie.com	Trade – E-commerce	CA Rio Negro - Demini	Alphaville	Lease	1,222
Monte Bravo Investimentos	Financial/Investment Services	Capital Center	Vila Olímpia	Lease	706
SMR Participações e Investimentos	Financial/Investment Services	Central Vila Olímpia - Torre A	Vila Olímpia	Lease	650







Buyer	Property	Region	Type Transaction	Total Area (sq.m)	Unitary Value (R\$/sq.m)
VINCI OFFICES FUNDO DE INVEST. FII	Mourato 1404	Pinheiros	Sale	1,093.24	15,133
HEDGE AAA FUNDO DE INVEST. FII	Thera Corporate	Berrini	Sale	10,586,14	20,286
BLUEMACAW CATUAÍ TRIPLO A FII	Pátio Malzoni - Bloco A	Faria Lima	Sale	9,442.61	38,639

New Inventory Forecasted

Expected new deliveries of over 98 thousand sq.m in addition to the 208 thousand already delivered will bring this number up to well above the historical annual average of 250 sq.m thousand in the period between 2007 and 2020. Most of this will be in Barra Funda, which will increase the supply in this region, which is already quite significant due to buildings already standing. New inventory should drop quite a bit in 2022, when only 111 thousand sq.m will be delivered, most of it in Paulista and Chucrí Zaidan.



Main Class AAA, AA and A buildings under construction - Forecast for 2021

	Property	Region	Macro-region	Leasable area (sq. meters)	Expected Delivery
	Bravo Paulista (<i>retrofit</i>)	Paulista	Premium CBD	6.312	4Q2021
	Torre Alameda Santos	Paulista	Premium CBD	8.395	4Q2021
	SP Corporate	Berrini	Premium CBD	9.792	4Q2021
	Rio Claro - Cidade Matarazzo	Paulista	Premium CBD	4.045	4Q2021
	Brasília Offices Square	Barra Funda	Non-CBD	48.600	4Q2021
	Toronto	Alphaville	Non-CBD	12.279	4Q2021

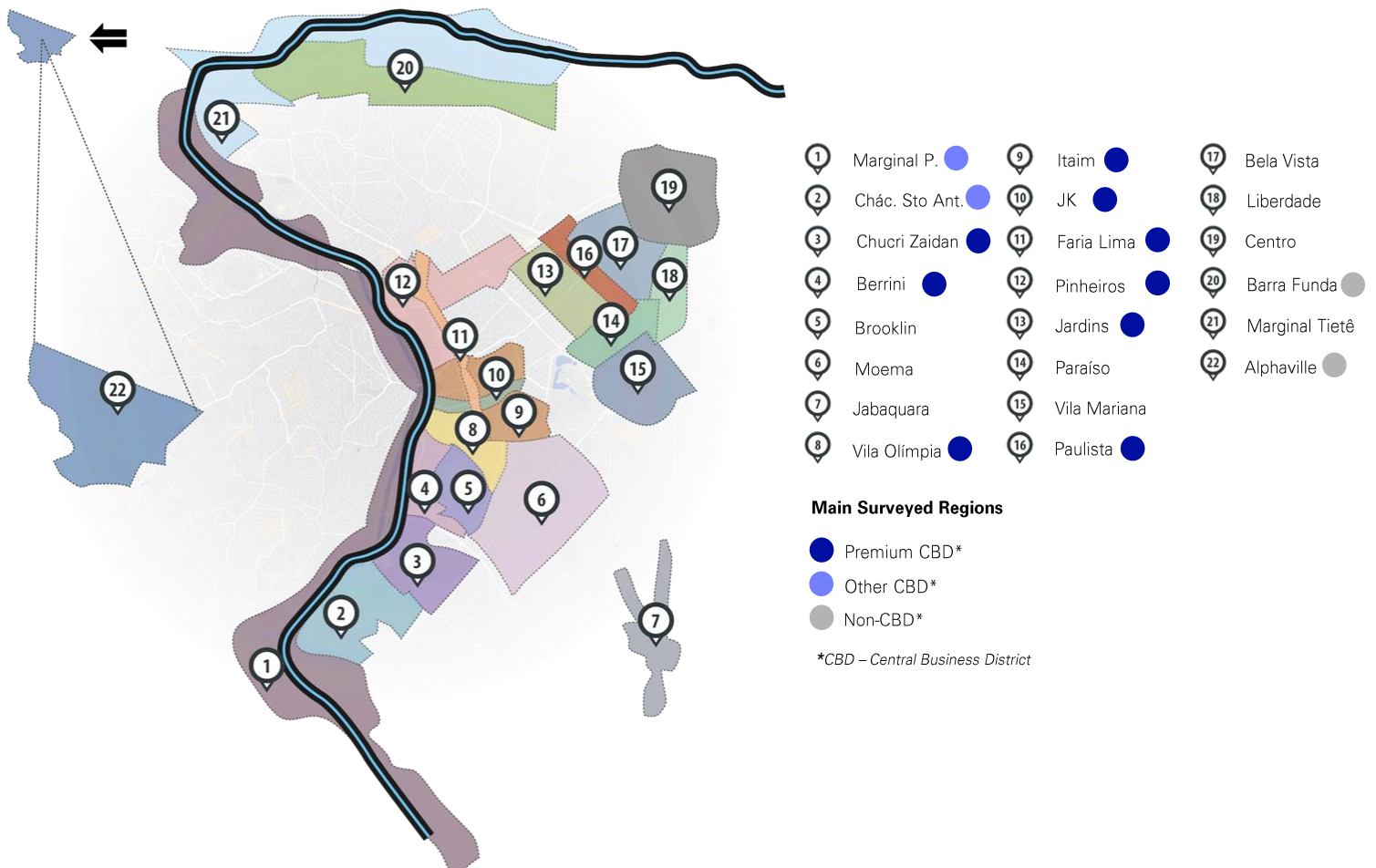
Sao Paulo High-End Office Market –Statistics

Macro-regions	Total Inventory (sq.m)	Vacancy Rate	New Inventory			ABSORPTION				Average Monthly Asking Rents (R\$/sq.m)
			Delivered 2Q (sq.m)	Year-to-date Delivered (sq.m)	Expected 2021** (sq.m)	Net 2Q (sq.m)	Year-to-date Net (sq.m)	Gross 2Q (sq.m)	Year-to-date Gross (sq.m)	
Premium CBD*	3.602.325	19.52%	13.131	155.675	32.899	31.298	2.830	79.746	180.547	113,38
Other CBD	609.934	49.3%	-	20.329	0	-3.106	-58.515	4.319	12.733	68,30
Total CBD	4.212.259	23.83%	13.131	176.004	32.899	28.192	-55.685	84.065	193.280	99,26
Non-CBD	918.713	33.91%	32.124	32.124	60.879	-22.292	-27.428	33.294	57.504	59,67
Total (CBD + Non CBD)	5.130.972	25.63%	45.255	208.128	93.777	5.900	-83.112	117.358	250.784	87,81

*CBD: central business district, class AAA, AA and A

**new inventory under construction for delivery in 2021

Office Submarkets Map



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