

BRAZIL INDUSTRIAL

Economic Indicators

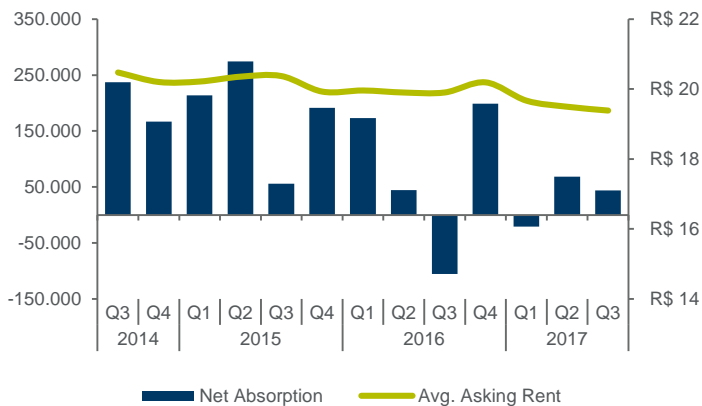
	Q3 16	Q3 17	Forecast 12 Months
GDP	-0,8%	0,2%	▲
Inflation rate	8,5%	2,5%	▲
Unemployment	11,8%	12,6%	▼

Real Estate Indicators

	Q3 16	Q3 17	Forecast 12 Months
Vacancy	23,1%	24,0%	■
Net Absorption (.000)	-105,30	43,74	▼
Under Construction (.000)	235,68	0	▼
Avg. Asking Rent	R\$19,90	R\$19,38	▼

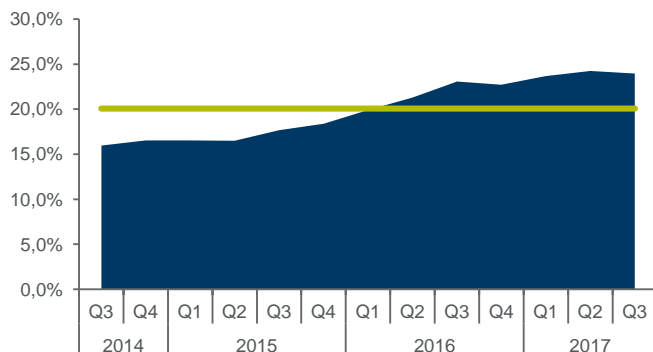
Net Absorption/Asking Rent

Source: Cushman & Wakefield



Overall Vacancy

Source: Cushman & Wakefield



Economy

Brazil's economy is showing signs of a possible upturn, and data suggests that a recovery is on the way. The increase in family consumption on the demand side, and the improvement in business activity, has led to GDP growth expectations for the end of the year. The once invulnerable inflation rate continues to cool down with a projected increase of 2.54%; a rate well below the target established by the Central Bank (4.25%). This drop will allow Copom to cut interest rates further, and to close the year out at 7%.

This trend is expected to continue for the next few years. Despite political instabilities in the economy, we expect a GDP growth rate close to 3% through 2020 that will be equally split across all economic sectors.

With the regards to the foreign market, the US FED is still showing signs that the normalization of its monetary policy will continue, and they will likely increase interest rates. This may cause the dollar value to oscillate strongly against its real value, but the conversion trend should remain between R\$3.20 – R\$3.30 for every US \$1.

Market Overview

New negotiations continue at a slow pace in the Brazilian logistic sector, but the good news is that occupancy levels still surpass the number of move-outs. This is largely because owners are looking for new ways to stand out in today's market by offering either longer grace periods or more appealing discounts in their negotiations.

Most new warehouse projects are still being postponed in an attempt to balance the supply and demand scale. Those that do come into fruition are almost all BTS (Build-to-Suit), as they are designed to meet a client's specific needs and are not sitting on the open leasing market.

Brazil

Although the economy has presented signs of a possible recovery, the market remained cautious during 2017Q3 in relation to the same period last year, as there were no new deliveries. Postponement is due to the fact that owners are waiting for vacancy levels to cool down in order to resume their projects.

Reflecting the movement mentioned above, the statistical studies conducted by Cushman & Wakefield point to a forecast showing 855,000 sqm being delivered through the end of this year. We do not believe, however, that this volume will actually occur as there has not been sufficient recent demand.

When analyzing the demand side, we were able to observe that net absorption closed at positive 400,000 sqm, a number lower than the previous quarter, which closed at 68,000 sqm. This is justified by the reduction of negative absorptions in São Paulo, particularly in the Jundiaí region (21,000 sqm), in addition to the absorptions in Guarulhos (22,000 sqm), and in the Grande ABC Paulista area (16,000 sqm), where tenants enjoy better prices that favor themselves.

With stable supply this quarter and a positive absorption rate, the vacancy rate fell by 0.2 p.p and reached 24.0%. The average asking rent retreated 2.6% in relation to the third quarter of the previous year, falling from R\$ 19.90 per sqm to R\$ 19.38 per sqm.

São Paulo

São Paulo did not present any new deliveries in third quarter, which is the opposite of what occurred last quarter when there was atypically high volume. By year-end 342,000 sqm are expected to be added to the market, bringing the year-end total to 628,000 sqm, or slightly lower than last year's total of 659,000 sqm.

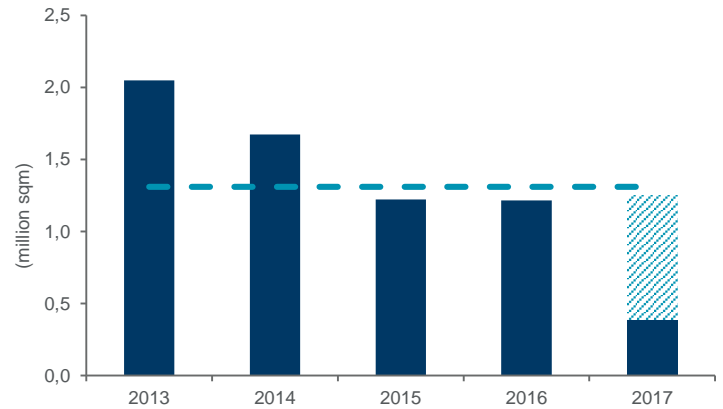
Once again, it should be pointed out that owners' expectations indicate that such volume of deliveries will probably not take place, and that many of them will wait for a more stable economic environment to resume their projects.

Because these new deliveries are not taking place, and the number of move-ins is increasing across certain areas, such as Guarulhos Grande ABC regions, the vacancy rate in São Paulo declined by 0.2 p.p. in relation to the previous quarter, which closed at 24.8%, and now currently stands at 24.6%.

There was a 3.4% year-over-year drop in asking rents, and the current rate now stands at R\$19.33. This is largely due to reduced demands from landlords in an effort to try and attract more tenants.

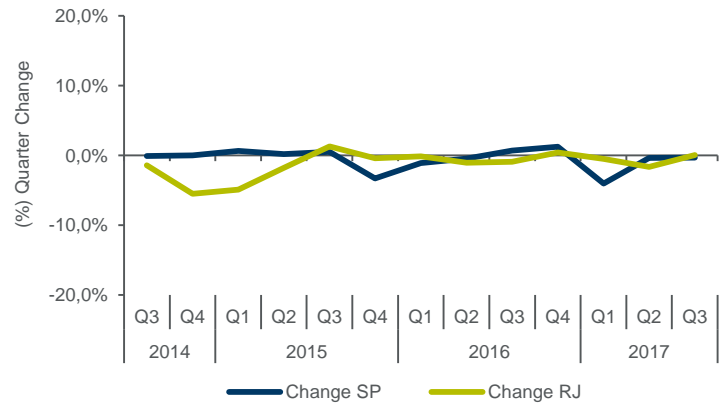
New Inventory

Source: Cushman & Wakefield



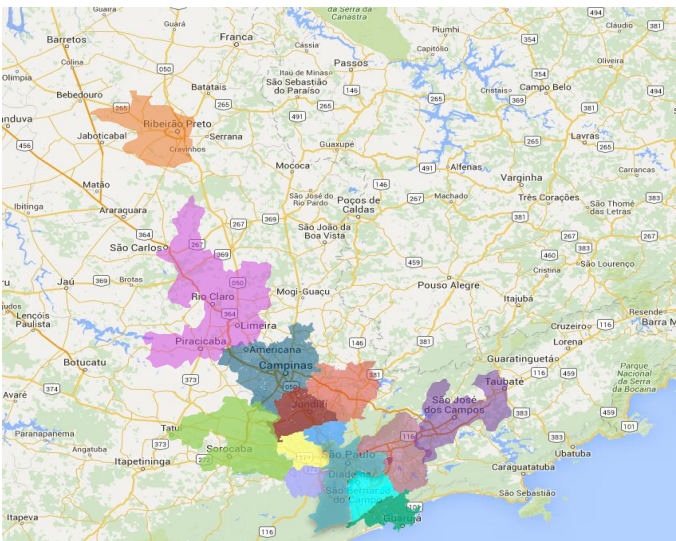
Asking Rent SP x RJ

Source: Cushman & Wakefield



INDUSTRIAL SUBMERCADOS

SÃO PAULO/BRASIL



São Paulo	2017Q2	2017Q3	Change
Inventory (1,000 sqm)	10,838.25	10,838.25	0.0%
New Inventory (1,000 sqm)	104.07	-	-104.07
Available Area (1,000 sqm)	2,686.26	2,665.40	- 21
Vacancy (%)	24.8%	24.6%	-0.2%
Net Absorption (1,000 sqm)	32.30	20.86	-11.44
Gross Absorption (1,000 sqm)	74.81	147.42	72.61
Asking Rent (R\$/sqm)	R\$ 19.39	R\$ 19.33	-0.3%

Rio de Janeiro

The Rio de Janeiro industrial market presented no new deliveries in 2017Q3, and the inventory remained stable at 1.9 million sqm. Even though there are 81,000 sqm in new inventory expected by the end of the year, it is very unlikely that most of it, if any, will be delivered. Reasons for this are: the lack of demand for new developments, and the large supply of warehouses across the state.

Despite the vacancy rate having dropped last quarter, it went back up this quarter by 0.2 p.p., or from 27.3% to 27.5%. The increase is the reflection of the 38,000 sqm negative net absorption rate that closed out the quarter, a much lower number than the previous quarter, which recorded a positive 12,400 sqm.

The average asking rent was stable. In fact, it varied by only R\$0.02 per sqm, going from R\$22.72 per sqm last quarter to R\$ 22.74 per sqm in third quarter.

Rio de Janeiro	2017Q2	2017Q3	Change
Inventory (1,000 sqm)	1,890.25	1,890.25	0.0%
New Inventory (1,000 sqm)	-	-	0.00
Available Area (1,000 sqm)	516.44	520.30	4
Vacancy (%)	27.3%	27.5%	0.2%
Net Absorption (1,000 sqm)	12.40	- 3.86	-16.26
Gross Absorption (1,000 sqm)	14.63	23.23	8.59
Asking Rent (R\$/sqm)	R\$ 22.72	R\$ 22.74	0.1%

INDUSTRIAL SUBMARKETS

RIO DE JANEIRO/BRAZIL



INDUSTRIAL PARK	SQM	TENANT	TRANSACTION TYPE	MAJOR MARKET
GLP - Gravataí	14.000	YAPP	Lease	Gravataí
Distribution Park - Manaus III	8.933	Suporte	Lease	Manaus
Distribution Park - Xerém	5.345	Zamboni	Lease	Duque de Caxias
Condomínio Industrial AJAM I	3.460	Rapidão 900	Lease	Jaboatão dos Guararapes
Condomínio Logístico e Empresarial Sol	2.500	Correios	Lease	Londrina

BRAZIL - INDUSTRIAL PARK									
SUBMARKET	INVENTORY	OVERALL VACANCY RATE	2017 LEASING ACTIVITY	2017 - NEW INVENTORY DELIVERY (,000sqm)	2017 CONSTRUCTION COMPLETIONS (,000sqm)	YTD NET ABSORPTION (,000sqm)	ASKING RENT (R\$/sqm/month)		
							MIN	AVG	MAX
Amazonas	445	35.9%	9.0	0.0	0	11.1	R\$ 18.00	R\$ 21.58	R\$ 23.00
Bahia	197	18.0%	0.0	0.0	306	0.2	R\$ 9.00	R\$ 15.89	R\$ 26.66
Paraná	1,009	31.4%	13.4	103.4	0	5.1	R\$ 9.96	R\$ 16.30	R\$ 20.00
Pernambuco	757	11.6%	0.0	0.0	33	10.1	R\$ 15.00	R\$ 17.41	R\$ 18.50
Rio Grande do Sul	468	17.3%	7.9	0.0	0	13.2	R\$ 8.90	R\$ 15.08	R\$ 17.00
Minas Gerais	820	14.5%	18.1	0.0	0	-9.1	R\$ 16.00	R\$ 20.68	R\$ 22.00
Ceará	93	21.1%	0.0	0.0	83	1.9	R\$ 14.00	R\$ 15.19	R\$ 16.00
Pará	54	61.8%	0.0	0.0	0	0.0	R\$ 19.00	R\$ 19.00	R\$ 19.00
Santa Catarina	425	8.6%	2.1	0.0	9	-5.7	R\$ 10.00	R\$ 13.47	R\$ 22.00
Other Regions	4,269	20.8%	50.6	103.4	432.2	26.7	R\$ 8.90	R\$ 17.67	R\$ 26.66
Campinas	1,884	17.9%	6.8	9.7	182	8.0	R\$ 8.19	R\$ 16.75	R\$ 30.00
Jundiaí	1,584	25.2%	11.4	0.0	0	-21.6	R\$ 14.46	R\$ 18.47	R\$ 21.00
Cajamar	1,208	25.5%	0.9	0.0	82	-3.1	R\$ 18.00	R\$ 20.57	R\$ 22.90
Guarulhos	1,251	30.0%	5.4	79.6	0	22.5	R\$ 18.00	R\$ 21.75	R\$ 27.00
Barueri	1,278	26.2%	5.4	53.2	17	-10.0	R\$ 14.00	R\$ 21.23	R\$ 30.60
Embu	1,055	15.4%	9.5	0.0	0	-1.6	R\$ 14.00	R\$ 19.79	R\$ 24.00
Capital - SP	477	12.7%	3.9	0.0	0	-8.9	R\$ 17.00	R\$ 20.81	R\$ 26.00
Atibaia	493	15.0%	13.1	0.0	0	12.2	R\$ 12.00	R\$ 18.73	R\$ 21.00
Vale do Paraíba	459	39.6%	7.8	0.0	0	-7.8	R\$ 12.50	R\$ 17.20	R\$ 18.00
Sorocaba	503	44.3%	6.1	40.0	62	3.5	R\$ 12.08	R\$ 17.26	R\$ 21.00
Grande ABC	356	26.3%	4.4	104.1	0	16.7	R\$ 17.00	R\$ 22.57	R\$ 25.00
Ribeirão Preto	146	31.7%	0.0	0.0	0	4.7	R\$ 10.00	R\$ 15.13	R\$ 16.50
Piracicaba	143	48.1%	0.0	0.0	0	6.3	R\$ 12.50	R\$ 16.61	R\$ 18.00
São Paulo	10,838	24.6%	74.8	286.5	342.1	20.9	R\$ 8.19	R\$ 19.33	R\$ 30.60
Duque de Caxias	709	42.9%	5.9	0.0	67	-5.4	R\$ 19.00	R\$ 23.85	R\$ 26.00
Pavuna	415	21.7%	7.3	0.0	0	1.1	R\$ 17.00	R\$ 22.75	R\$ 28.00
Queimados / Seropédica	205	46.0%	0.0	0.0	14	0.0	R\$ 19.00	R\$ 20.21	R\$ 22.00
Santa Cruz / Campo Grande	164	0.0%	0.0	0.0	0	0.0	R\$ -		R\$ -
Belford Roxo / Nova Iguaçu	111	24.2%	0.0	0.0	0	0.0	R\$ 23.00	R\$ 22.00	R\$ 23.00
Vale do Paraíba Fluminense	211	0.0%	1.5	0.0	0	1.5	R\$ 17.00		R\$ 17.00
Campos	40	6.6%	0.0	0.0	0	0.0	R\$ 14.00	R\$ 14.37	R\$ 15.00
Avenida Brasil	35	6.3%	0.0	0.0	0	-1.0	R\$ 35.00	R\$ 35.00	R\$ 35.00
Rio de Janeiro	1,890	27.5%	14.6	0.0	81.5	-3.9	R\$ 14.00	R\$ 22.74	R\$ 35.00
BRAZIL	16,998	24.0%	140	390	856	43.7	R\$ 8.19	R\$ 19.38	R\$ 35.00

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 45,000 employees in more than 70 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow [@CushWake](https://twitter.com/CushWake) on Twitter.

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