

RIO DE JANEIRO OFFICE

Economic Indicators

	3Q16	3Q17	12-Month Forecast
GDP	-0.8%	0.2%	▲
Inflation Rate	8.5%	2.5%	▲
Unemployment	11.7%	12.6%	▼

Real Estate Indicators

	3Q16	3Q17	12-Month Forecast
Vacancy	31.7%	38.9%	▼
Net Absorption (,000)	9,6	7,4	▲
Under Construction (,000)	52.6	-	▼
Avg. Asking Rent	R\$ 116.1	R\$ 109.9	▲

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%.

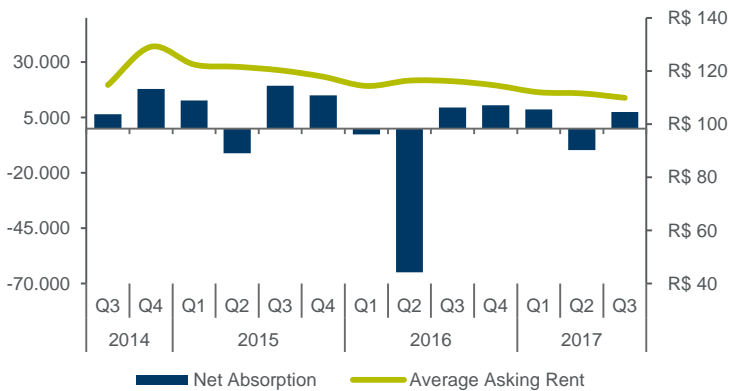
This trend is expected to continue for the next few years. Despite political instabilities in the economy, we expect a GDP growth rate close to 3% through 2020 that will be equally split across all economic sectors.

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.

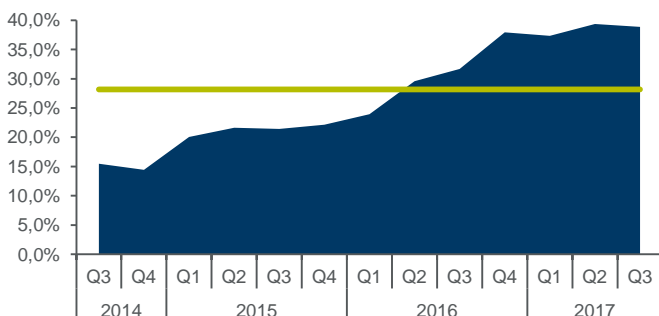
Market Overview

Following a quarter of negative absorption, the CBD Class AA+ market in Rio de Janeiro finished the third quarter off with positive occupancy. Assisting with this development was the fact that there were no new deliveries to the market, which helped push vacancy rates down. With this said, the positive absorption momentum is not an indication of a real estate market in recovery, but rather it is a result of the unfavorable economic situation the city faces. Greater market momentum is expected during fourth quarter, which includes to the delivery of Aqwa Corporate in Porto.

Net Absorption/Average Asking Rent – CBD Class AA+



Vacancy – CBD Class AA+



## Occupancy

So far, the highest 2017 CBD Class AA+ occupancy rate developments occurred in the Porto region, with the entry of a cosmetics company that moved into their new headquarters this quarter. The Centro, Cidade Nova, and Orla regions, brought down the absorption rate with a high number of move-outs from small developments. The positive liquid absorption in the third quarter of 2017 presented a slight drop in vacancy rates in the city, pushing it down by 0.5 p.p., and reaching 38.9%.

## Pipeline

There were no new CBD Class AA+ inventory increases for Rio de Janeiro in 2017Q3. The expected launch of Aqwa Corporate in Porto, with the addition of 68,000 sqm to the city's inventory, will increase the vacancy rate and push it past 40% for upscale developments.

Lingering economic uncertainties the city of Rio de Janeiro have brought all under-construction projects to a halt, and have delayed the addition of any new inventory.

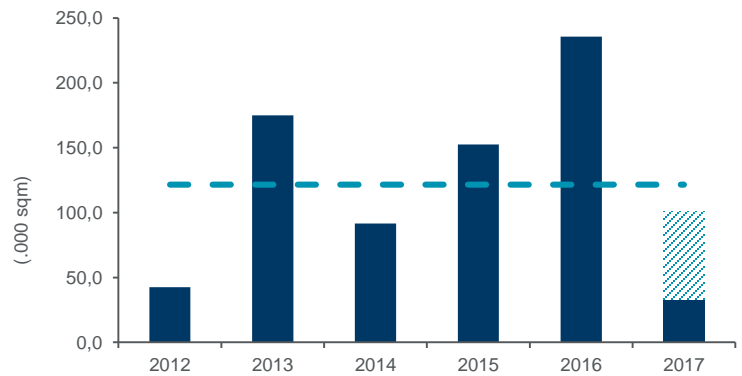
### THE NET ABSORPTION VALUE OF CBD CLASS AA+ REGIONS IN RIO DE JANEIRO WENT UP BY 7.400 SQM

## Average Asking Rent

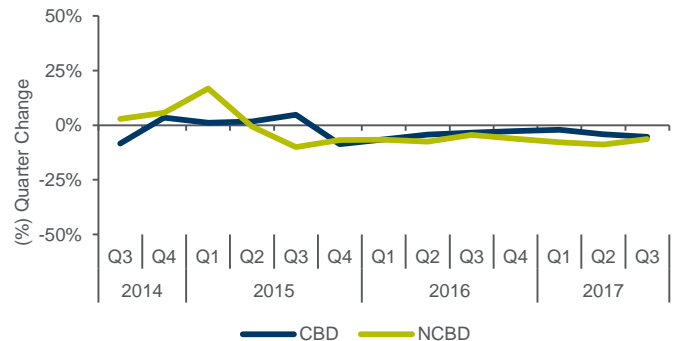
The average asking rent price of CBD Class AA+ developments continued to decline into 2017Q3. The unstable market pressured prices down by 1.5% over last quarter, and reduced them by 5.3% in relation to the same period in 2016. They asking rent now stands at R\$109.9 per sqm.

The sharpest drop in prices occurred in Cidade Nova, with a decrease of 8.1%, falling from R\$102.40 to R\$94.10 over the quarters, while the Orla region presented the highest variation in relation to 2016 with a 21.9% jump and a value of R\$125.70 per sqm. The asking rent recovery remains far off, with no improvement expected to occur in either the short or medium terms.

## New Inventory – CBD Class AA+



## Asking Rent – Class AA+



## Outlook

The following points summarize Rio de Janeiro's near-term outlook:

- The vacancy rate for CDB Class AA+ developments in Rio de Janeiro remained flat at 38.9%.
- The launch of Aqwa Corporate in the Porto region, and the 68.000 sqm added to the city's inventory, could raise the vacancy rate in Rio to 41.53% late this year, and subsequently knock prices down even further.

# MARKETBEAT

## Rio de Janeiro

### Office Q3 2017



SUBMARKET	BUILDINGS	INVENTORY (.000)	AVAILABLE AREA (.000)	VACANCY RATE	NET ABSORPTION (Q3)	NET ABSORPTION (YTD)	UNDER CONSTRUCTION*	ASKING RENT (ALL CLASSES)	ASKING RENT (CLASS AA+)
Centro	35	895	290	32,4%	-4.069,72	-2.212,58	-	R\$ 89,17	R\$ 118,49
Cidade Nova	7	240	107	44,7%	-1.102,00	-2	-	R\$ 90,95	R\$ 94,08
Orla	13	181	56	30,9%	-1.228,71	-9.553,28	-	R\$ 108,43	R\$ 125,68
Zona Sul	5	24	9	37,4%	210,00	580	-	R\$ 143,55	R\$ 148,12
Porto	9	156	119	76,3%	13.596,87	17.516,49	98.149	R\$ 76,85	R\$ 88,33
Barra da Tijuca	36	213	77	36,2%	-3.328,50	-7.068,77	29.387	R\$ 62,63	R\$ 88,45
<b>TOTAL CLASS AA+ CBD</b>									
Classe AA+	69	1496	581	38,9%	7.406	6.328	98.149	R\$	109,89

\*We consider buildings in "under construction" to Q3 2020

#### Main Transactions 3Q 2017

BUILDING	SQM	TENANT	TRANSACTION TYPE	SUBMARKET
Torre Oscar Niemeyer - FGV	14.550	Vale do Rio Doce	Lease	Orla
Torre Castelo	5.208	AGU - Advocacia Geral da União	Lease	Centro
City Tower	2.217	Casa & Video	Lease	Centro
Passeio Corporate - Setor 2	2.097	Regus	Lease	Centro
Bolsa de Valores - Rio de Janeiro	1.156	Regus	Lease	Centro

#### 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](http://www.cushmanwakefield.com) or follow [@CushWake](https://twitter.com/CushWake) on Twitter.

#### Gustavo Garcia

Head of Market Research & Business Intelligence  
South America

Praça Professor José Lannes, 40 – 3º andar  
São Paulo – SP – CEP: 04571-100 - Brasil  
Tel: + 55 11 3513-6783  
[gustavo.garcia@sa.cushwake.com](mailto:gustavo.garcia@sa.cushwake.com)