



RESEARCH 3Q 2021



HIGH-END INDUSTRIAL/LOGISTICS MARKET – RIO DE JANEIRO

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.

Summary of the Market for High-End Condominiums

	General	São Paulo	Rio de Janeiro	Projections
Total Inventory (sq.m)	12.83 million	10.26 million	2.57 million	↑
Vacancy Rate	12.56%	10.91%	19.13%	↔
Net absorption in the quarter (sq.m)	425 thous.	341 thous.	85 thous.	↑
Accumulated Net Absorption (sq.m)	672 thous.	568 thous.	104 thous.	↑
Gross absorption in the quarter (sq.m)	531 thous.	437 thous.	95 thous.	↑
Accumulated Gross Absorption (sq.m)	1,156 thous.	964 thous.	192 thous.	↑
Average asking rent (R\$/sq.m/month)	19,47	19,23	20,02	↔
New Inventory Delivered in the Quarter (sq.m)	210 thous.	146 thous.	64 thous.	↑
Under construction (sq.m)	1.35 million	1.21 million	140 thous.	↑

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

The FGV IBRE Industry Confidence Index (ICI) dropped 0.6 points in September, to 106.4. This is the second consecutive drop after going up consistently for four months. Industry confidence was adversely affected by the bottlenecks caused by input shortages and, more recently, international logistics problems and the higher price of electricity. This, combined with uncertainties regarding the new Delta variant have led to slower industry recovery. Less optimistic outputs expect a 0.4 percentage point decline in the employment index as intent-to-hire drops. Installed Capacity Utilization went up 0.5 p.p. to 80.2%, the highest it has been since November 2014. According to the IBGE, manufacturing output in Brazil dropped 0.7% in August compared to July. This drop was primarily driven by four large categories: pharmaceuticals and pharmaceutical chemicals (9.3%), chemicals (6.4%), automotive vehicles (3.1), and crude oil derivatives and biofuels (2.6%). The fastest growing industries were beverages (7.6%), food (2.1%) and extractive industries (1.3%).

Since 2020, the market for high-end industrial and storage/logistics warehouses has been growing all over the country, driven by the growth of online sales. Expectations are promising, considering the increased volume of online sales and more consumers using this purchasing option.

3Q21 Highlights

- The vacancy rate in Rio de Janeiro dropped from 20.4% to 19.2%, despite new deliveries. The reduction in vacant space is the result of more intense lease activity in the quarter. Gross absorption was 95 thousand sq.m and net absorption 85 thousand sq.m.

The amount of occupied space in high-end logistics/industrial warehouses increased

There were almost no returns in 3Q21, gross absorption was 95 thousand sq.m and net absorption 85 thousand sq.m. Year-to-date net absorption exceeded 100 thousand sq.m and is 56% of the total for the entire year of 2020, which itself was a record year.

The largest volume of new occupied space was in Duque de Caxias and Pavuna-Belford Roxo, especially along Rodovia Presidente Dutra and Rodovia Washington Luiz.

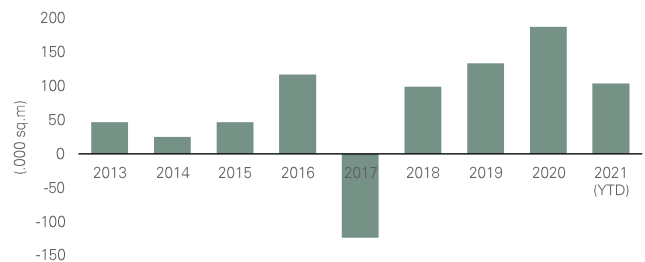
The vacancy rate dropped and asking leases went up

Supply dropped in the quarter due to increase lease activities in most of the consolidated neighborhoods for logistics/industrial warehouses in Rio de Janeiro. This increase in new inventory did not translate into higher vacancy rates, which dropped from 20.3% to 19.1%.

The average asking rent at the end of the quarter was R\$ 20,02/sq.m, compared to R\$ 18,57 in the previous quarter.

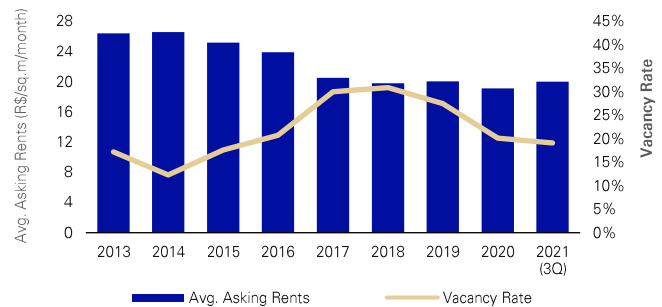
Demand History

NET ABSORPTION



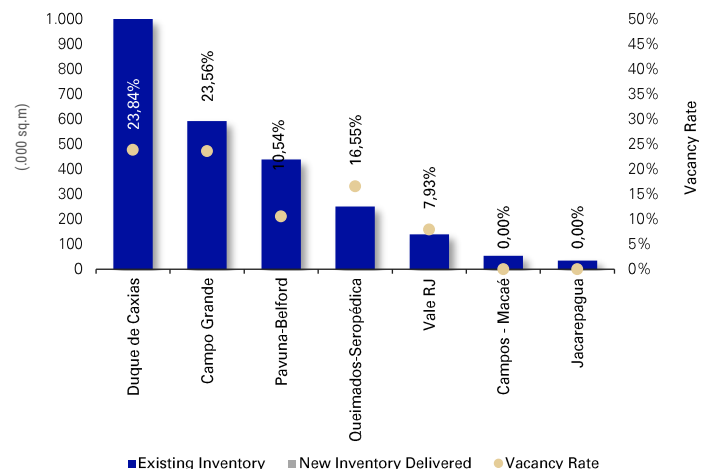
Historical Supply and Asking Rents

AVERAGE ASKING RENT VS. VACANCY



Existing Supply and New Offer by Region

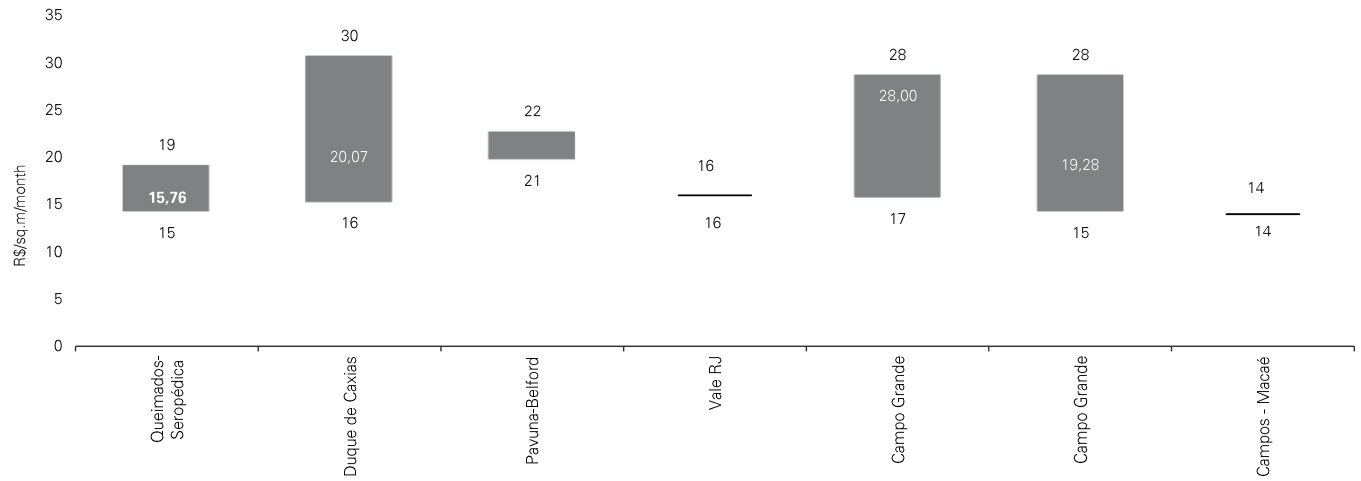
TOTAL INVENTORY VS. NEW INVENTORY DELIVERED VS. VACANCY RATE



SIGNIFICANT TRANSACTIONS IN THE QUARTER

Transaction Type	Tenant/Buyer	Property	Total transacted area (sq.m)
Lease	Amazon	Prologis Dutra	38.325
Lease	Westwing - Casa & Decoração	Syslog Galeão	1.908
Lease	Roja Distribuidora de Cosméticos	Syslog Galeão	1.812
Sale	XP LOG FII	Golgi Seropédica	85.694
Sale	MOGNO LOGISTICA FUNDO INVEST. IMOB.	Volkswagen MAN - Resende	23.867

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 (expansão)	Queimados	Dutra	71.283	4Q/2021
	Santa Cruz Desenvolvimento Modular	Santa Cruz	Rio de Janeiro (capital)	28.710	4Q/2021
	H. Log Galeão	Ilha do Governador	Rio de Janeiro (capital)	20.900	4Q/2021
	GLP Duque de Caxias	Duque de Caxias	Dutra	96.700	4Q/2021

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MIDDLE EAST

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United Arab Emirates

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