



Rio de Janeiro Industrial and Logistics Market

The Economy is still growing, but slowing towards the end of the year

Economic performance this quarter remained positive, with 0.9% growth in 2Q23. Government policies regarding income and new social programs enabled an increase in household income, which drove up the demand for services. Solid job market indicators resulted in an increase in the number of people employed and the wage mass. This also helped reduce debt levels by bringing down inflation and the terms used to renegotiate debt among low-income families.

Also important was the share of Brazilian soy and crude oil in international markets. Farm/Ranch Output benefitted from unfavorable weather in Argentina and the US. Brazil continues to take advantage of a favorable scenario to hold onto and even expand its international leadership in commodities. Corn, sugarcane, cotton, beef, and poultry output also increased.

The Brazilian Central Bank expects the GDP will grow 2.9%, up from the previous estimate of 2.0%, while the estimate for 2024 remains 1.8%.

However, some elements give rise to uncertainty regarding this country's economic performance, and the pace may slow down towards the end of the year and through 2024. Manufacturing industry is still in a slump, with a 1.3% decrease in output in 1Q23, reinforcing that, with few exceptions it is finding it difficult to determine avenues for growth.

Regarding inflation, according to the Focus report, the IPCA for 2023 and 2024 should be around 4.9% and 3.9% respectively. The basic interest rate was reduced by half a percentage point at the most recent Copom meeting (the 257th), to 12.75% a year. It is likely the basic interest rate will go drop to 11.75% by year end 9.0% by the end of 2024. The exchange rate at the end of 2023 should be R\$ 4.90/US\$.

Summary of the Market for High-End Condominiums

	Current Quarter	Previous Quarter	Same period in 2022	12-month projection
Total Inventory (sq.m)	2.8 Mn	2.8 Mn	2.6 Mn	↓
Vacancy Rate	16.4%	16.5%	12.5%	↓
Net absorption in the quarter (sq.m)	19 thous.	54 thous.	35 thous.	↑
Gross absorption in the quarter (sq.m)	110 thous.	70 thous.	65 thous.	↑
Average asking rent (R\$/sq.m/month)	21,08	20,94	20,79	↔
New Inventory Under Construction (sq.m)	-	21 thous.	166 thous.	↓

According to the 3Q23 publication by the Brazilian Federation of Industries (CNI), manufacturing GDP went up 1.7% in the first half of the year compared to 1H22.

Performance varied by industry. Extractive activities increased 8.2% to the highest level since 2018, while the GDP for manufacturing industry dropped 1.3% and is 1.7% below 2Q22. Construction is having a harder time sustaining the cycle of growth that started in 2022, and the GDP increased only a modest 0.9% in 1H23.

The market for high-end industrial and logistics warehouses remained strong in the third quarter, and all market indicators are positive.

Current Conditions

- The occupancy rate in Rio de Janeiro went up in the quarter, with a net absorption of 19 thousand sqm. However, it was below the previous quarter and last year.
- The vacancy rate remained almost unchanged at 16.45%.
- The average asking monthly rent was R\$ 21,08/sqm, almost unchanged compared to the previous quarter.

Slower demand in the third quarter

Net absorption in the third quarter totaled 19 thousand sqm, about 64.5% less than the previous quarter. Net absorption for the year totaled 66 thousand sqm. Gross absorption in the quarter was 110 thousand sqm, and 137 thousand sqm in the year. Manufacturing industry, in particular beverages, accounted for the largest share of new occupants in 3Q23.

Declining construction

A single new development was delivered in Rio de Janeiro this quarter, and no further deliveries are expected for the rest of the year. Some 190 mil sqm are scheduled for delivery over the next 2 years.

The vacancy rate remained almost unchanged at 16.45%, and supply went up compared to 3Q22.

The average asking monthly rent was R\$ 21,08/sqm, almost unchanged from the previous quarter.

Asking rents range from R\$ 16 to R\$ 38/sqm, depending on location and technical specs.

Expectation for 2023

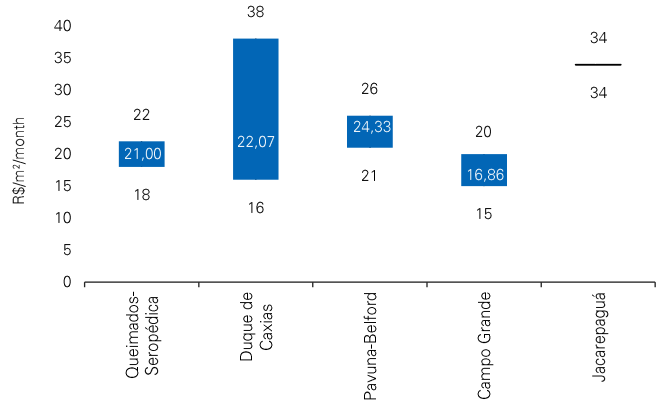
The segment of industrial and logistics condominiums in Rio de Janeiro has been challenging.

All indications are that the market this year should be relatively stable across the country, as major tenants have or are about to complete their transactions.

It is also important to consider the impacts that the retail sector on the market, since one of the ten largest tenants in Rio de Janeiro comes from this industry, who is experiencing difficulties due to the decline in consumer spending.

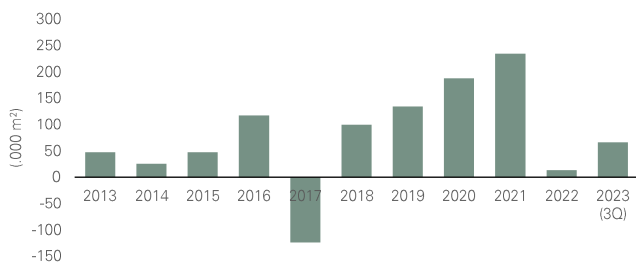
Global economic uncertainty is a further complication, and the Brazilian economy is likely to slow down towards the end of the year, which will impact real estate decisions.

Minimum, Average and Maximum Asking Rent



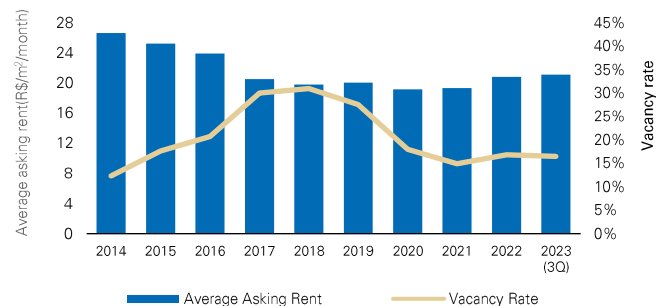
Historical Demand

NET ABSORPTION



Historical Supply and Asking Rents

AVERAGE ASKING RENTS AND VACANCY



For further information:

Newmark Brasil

Av. Dr. Cardoso de Melo, 1460 – 7º andar
Vila Olímpia, São Paulo
04548-005
Phone 5511-2737-3130

Rua Lauro Muller, 116, cj. 3201
Botafogo, Rio de Janeiro
22290-160
Phone 55.21.3283-9001

contato@nmrkbrasil.com.br

nmrkbrasil.com.br

Newmark has access to custom databases that meet our classification and scope parameters using our own methodology, which includes the periodic re-classification of some properties. Our data is constantly refined, and therefore there may be adjustment in historical statistics including availability, asking rents, absorption, and actual rents. Newmark research reports are available at nmrk.com/research. All of the information contained herein comes from reliable sources. However, Newmark has not checked all of the information; they constitute statements and representations of the source, and not Newmark. Recipients of this publication shall independently check this information and any other information that may prove relevant for any decision that may be made in regards to this publication, and must check professionals of its own choice or all aspects of the decision, including those of a legal, financial, or fiscal nature. No recipient of this publication may distribute, disclose, publish, transmit, copy, upload, download or otherwise reproduce the contents herein without the prior written consent of Newmark. This document is for information purposes only and shall not be construed as advice or recommendation of a specific strategy. It shall not be used to predict market movements, for investments in securities, transactions, investment strategies, or for any other purpose.