



Rio de Janeiro Industrial and Logistics Market

The GDP up, inflation is on target, and the economy grew in 2023

Global growth did not achieve its potential due to crises in major developed nations. The challenges in the real estate market in China and continued conflicts in Europe and the Middle East, further complicate a situation of tighter credit due to inflation and high interest rates. All of these make the global economic scenario uncertain. Nevertheless the job market is good, and household consumption remains high, with moderate levels of international trade and manufacturing output. Within the country, the latest Central Bank Inflation Report (December, 2023) shows a slight decrease in economic activity late in the year, but reviewed its GDP growth expectations upwards from 2.9% to 3.0% for the year. This is the result of better performance in agriculture and livestock, which should grow 15.5% in the year, as well as services, the largest single component of the GDP, which should grow 2.5%, mostly in the financial intermediation and related services sub-segment, and real estate and rent activities. Manufacturing industry should experience a decline due to the poor performance of extractive industries, especially iron ore, other minerals and ores, and construction. On the demand side, household consumption went up and unemployment dropped 7.6%. The trade balance should be better than expected, with a surplus of close to R\$ 96 billion in late December, 65.5% above what had been expected for the year.

In 2024, the GDP should go up 1.6%, a slower rate due mostly to expected slow-downs in agriculture & livestock, and in manufacturing industry. The IBGE 12M IPCA in November 2023 was 4.68%, the first time in 2 years it has been below the target (4.75%). The COPOM has been reducing the basic interest rate (SELIC), which dropped to 12.25% by the end of 2023, and then 11.25% early this year. The Brazilian Central Bank expectation for the Selic rate is to drop to 9.0% by the end of this year, and 8.5% in 2025. The US Dollar exchange rate dropped from R\$ 5,22/USD to R\$ 4,94 by the end of 2023. The forecast is that it will reach R\$ 5,00/USD in 2024.

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 | 2,7 Mn | ↔ |
| Vacancy Rate | 15,7% | 16,4% | 16,8% | ↓ |
| Net absorption in the quarter (sq.m) | 21 thous. | 19 thous. | -80 thous. | ↑ |
| Gross absorption in the quarter (sq.m) | 45 thous. | 110 thous. | 76 thous. | ↑ |
| Average asking rent (R\$/sq.m/month) | 21,10 | 21,08 | 20,80 | ↔ |
| New Inventory Under Construction (sq.m) | 126 thous. | 120 thous. | 120 thous. | ↓ |

Manufacturing activity slowed in December, with declining output and employment. With the exception of mineral extraction and oil & gas, manufacturing industry has not grown at all. Consumer goods were the best performing, in particular semi-durable and non-durable consumer goods. Stagnant manufacturing output makes it harder for investments in the area to resume. However, the National Federation of Industries (CNI) status report of December reflects optimism for the first half of 2024. Nevertheless, the market for high-end industrial and logistics warehouses remained strong in 2023, and all market indicators are positive. Just as in previous years, especially since 2020, market indicators show strong demand and construction activity in all country.

Current Conditions

- The occupied space registered an increase on the quarter and the net absorption closed at 21 thousand sqm; practically stable in comparison with last quarter and well above the same period last year, when there was a downturn in the market;
- Given that there was no delivery of new inventory, the vacancy rate fell to 15.7%;
- The average asking monthly rent was R\$ 21,1/sqm, almost unchanged compared to the previous quarter.

Demand grew in 2023, albeit slowly

Net absorption ended the quarter at 21 thousand sqm due to the increase in occupied space. Net absorption for the year was 88 thousand sqm. Gross annual absorption was 182 thousand sqm.

Demand indicators show improvement compared to 2022, when net absorption was only 13 thousand m².

The leading tenants were in services, particularly shipping, storage, and logistics.

Declining construction

There were no new deliveries in 4Q23, some 190 mil m² are scheduled for delivery over the next 2 years.

The vacancy rate ended the quarter at 15.7%, a modest quarterly drop.

Asking rents are stable, at R\$ 21,10 per sqm and range from R\$ 16,00 to R\$ 38,00/sqm, depending on location and technical specs.

Expectations for 2024

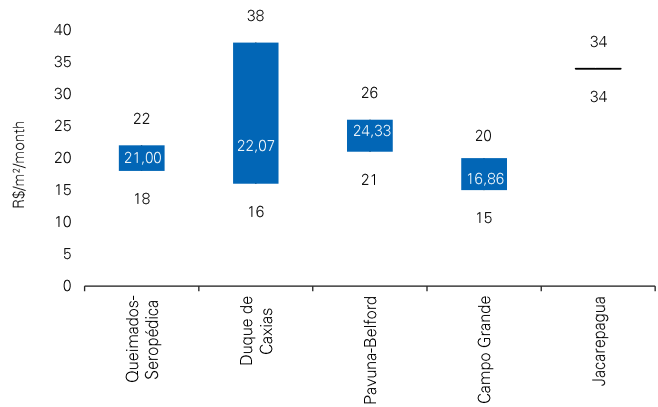
The segment of industrial and logistics condominiums in Rio de Janeiro remains challenging.

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 important to take into account the impact of retailers, given that one of the ten largest tenants in Rio de Janeiro is a retailer who is experiencing difficulties due to the decline in consumer spending.

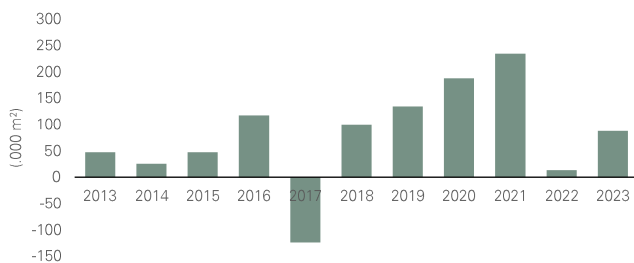
The economy is likely to slow down in 2024, which will impact corporate real estate decisions.

Minimum, Average and Maximum Asking Rent



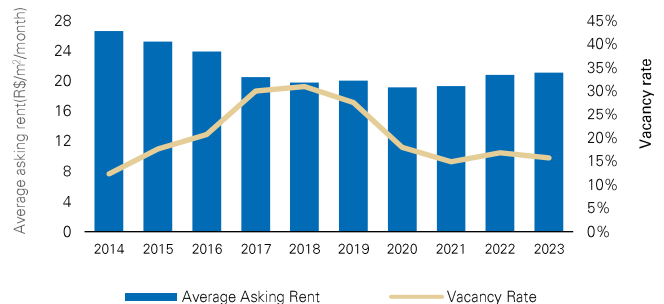
Historical Demand

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.