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4Q2024

# Rio de Janeiro Offices Market Report



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# Market Information

## Economy

- The world economy has shown itself resilient, given restrictive monetary policies, with a decrease in inflation. This scenario resulted in moderate growth of the global economy. Following the US presidential elections, the economic policies of the president-elect such as an expansionist and more protectionist fiscal policy, have already influenced the price of goods and assets. Thus, the US Dollar has increased in value all over the world. Wars wage on in both Europe and the Middle East, with no end in sight, making the international scenario even more challenging;
- The YTD GDP (through September) was R\$ 2.9 trillion, accumulating a 3.3% increase compared to the same period in 2023, but there was a slowdown in the 3<sup>rd</sup> quarter;
- The labor market has been quite active, with an increase in the percent population employed and a decrease in unemployment to 6.1%. The trade balance was positive, reaching record levels, primarily due to exports to China. However, loss of confidence due to the fiscal policy, high levels of public debt, and growing inflation all have a strong impact on the nation's economic performance.

## Transactions

- Leasing activity picked up in 2024;
- Gross and net absorption in the last quarter of the year were 36 and 25 thousand respectively, with accumulated number for the year of 157 and 100 thousand m<sup>2</sup>, the highest it have been since 2019;
- Even though 43% of the year-to-date net absorption came from government agencies, one of the main tenants in Rio de Janeiro, demand in other industries was also positive, and occupied space increased overall, surpassing returns across the city.

## Market Indicators

- The market for high-end office buildings in Rio de Janeiro ended on a positive note, especially in terms of demand;
- Although gross and net absorption dropped in the last quarter, they remained quite above the levels in late 2023, and accumulated numbers for the year were the best they have been since 2019;
- The vacancy rate continues to drop, ending the quarter at 28.4%;
- The average asking rent remained almost unchanged at R\$ 74,04/m<sup>2</sup>, compared to R\$ 73.81/m<sup>2</sup> in the previous quarter.

## Outlook

- Resumed demand in 2024 could signal a more attractive high-end office market in Rio de Janeiro in 2025. Year-to-date net absorption reached 100 thousand m<sup>2</sup>, almost five times what it was in 2023, the best performance since 2019, and significantly higher than the historical annual net absorption of 28.8 thousand m<sup>2</sup>.
- Given that no new deliveries are scheduled for the medium and long terms, the vacancy rate should continue to drop slowly, especially if demand continues at current rates.
- However, there is uncertainty that may result in more robust recovery, such as political/economic instability and strong dependence on only a few segments, such as government and oil & gas.

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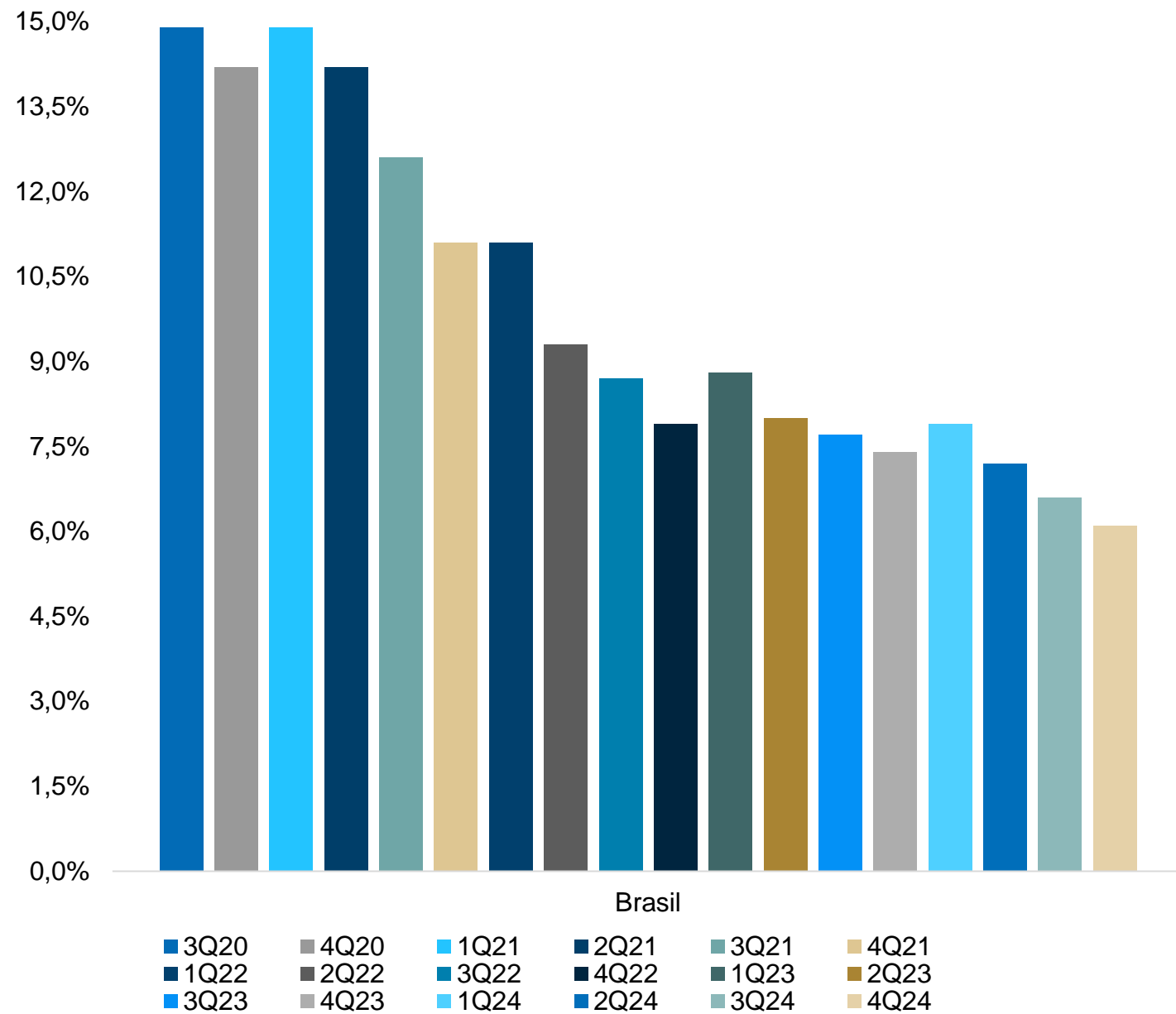
# Economy



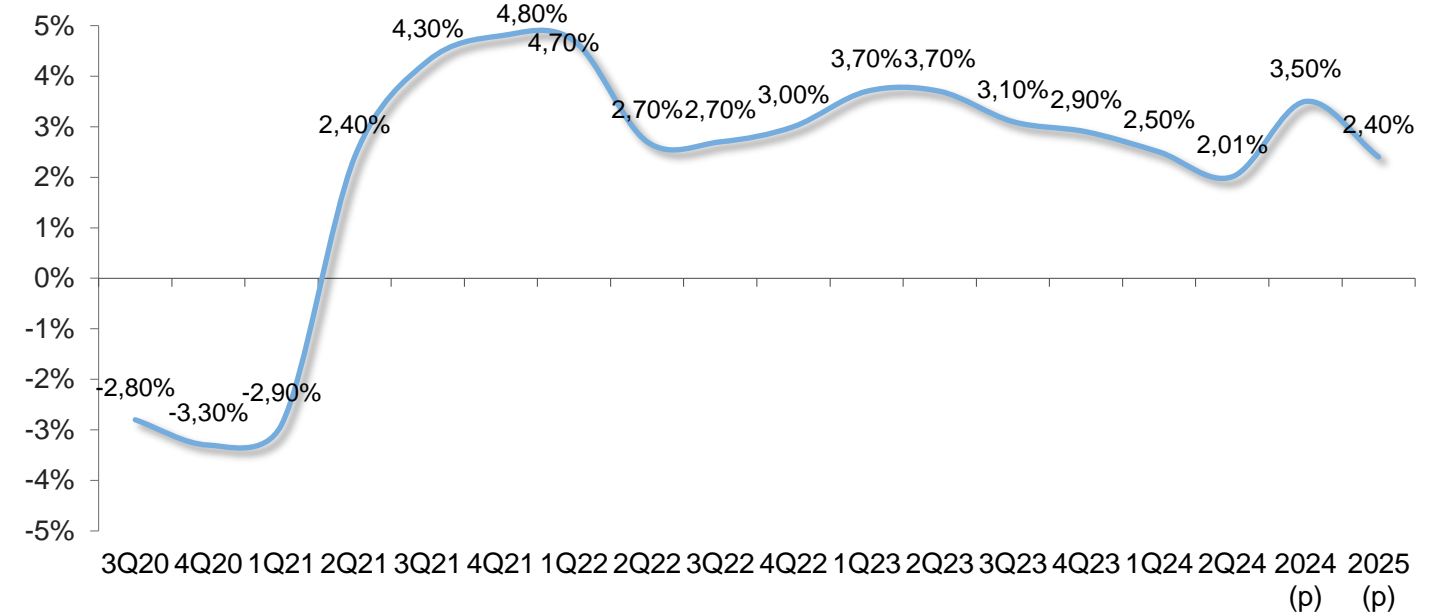
# Economy

Although still experiencing fluctuations, the unemployment rate is declining. Despite a slight quarterly drop in inflation indicators, the year-to-date IGMP and IPCA closed at 6.5% and 4.8%, respectively, increasingly deviating from the Central Bank's target (3.5%) and heightening uncertainty about economic activity growth in the coming years. The Monetary Policy Committee (Copom) resumed tightening monetary policy to curb rising prices, raising the rate by one percentage point compared to the beginning of the year, reaching 12.25% per year

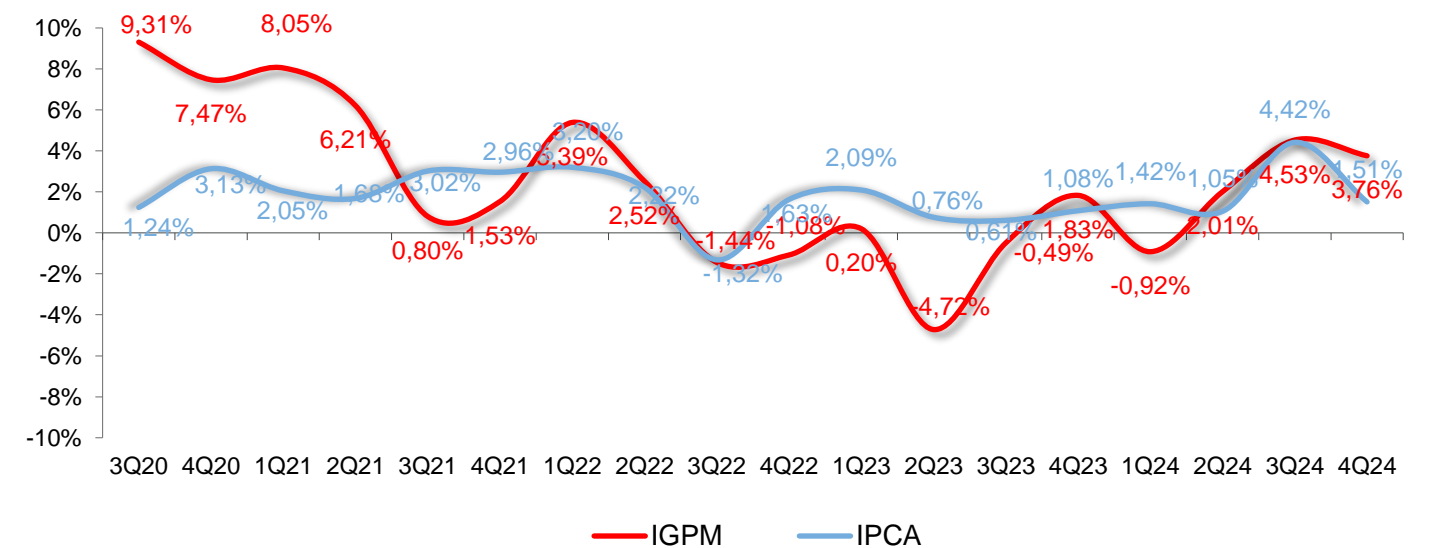
Unemployment rate



GDP –at market prices – YTD in 4 quarters (%)



IPCA (quarter) x IGPM (quarter) Variation (Inflation rate)



Source: IBGE, Banco Central do Brasil, FGV

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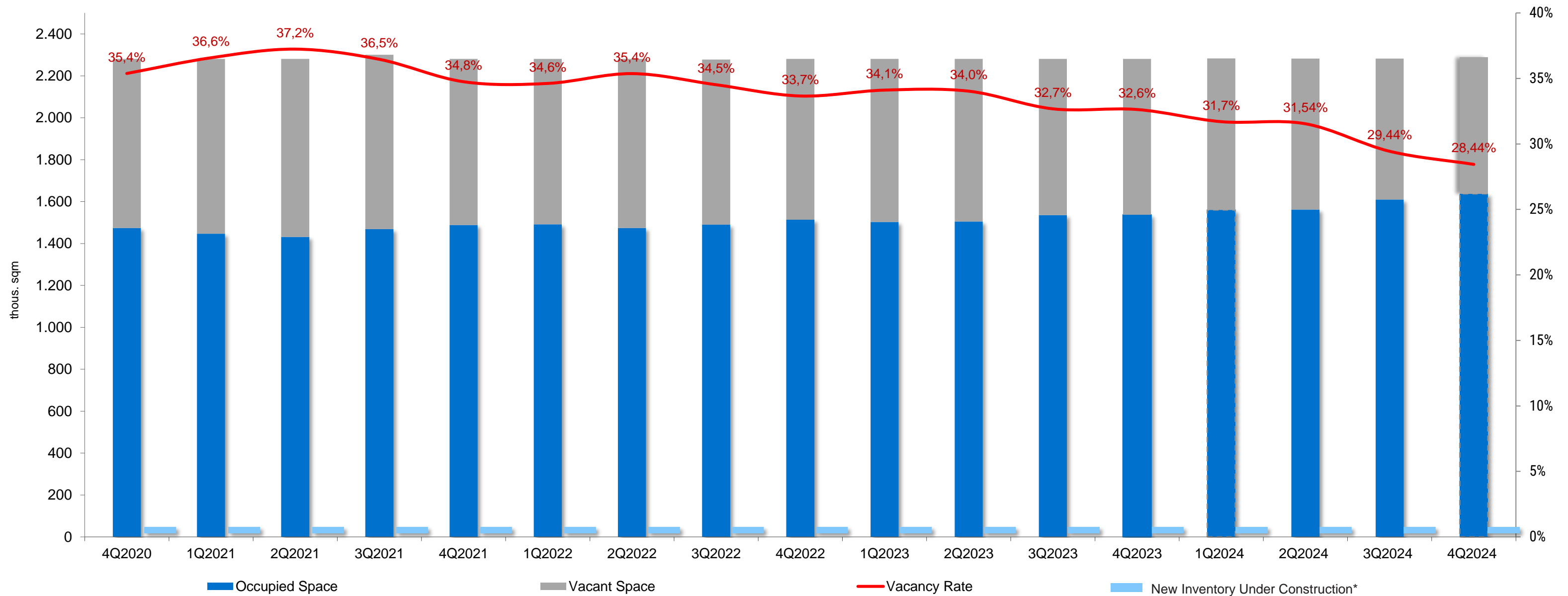
# Market Indicators



# The demand got strength in 2024, resulting in a significant decrease in supply

The vacancy rate closed at 28.4%, the lowest it has been in 8 years

## Occupied and Vacant Space, Under Construction vs. Vacancy Rate – Class A, AA and AAA



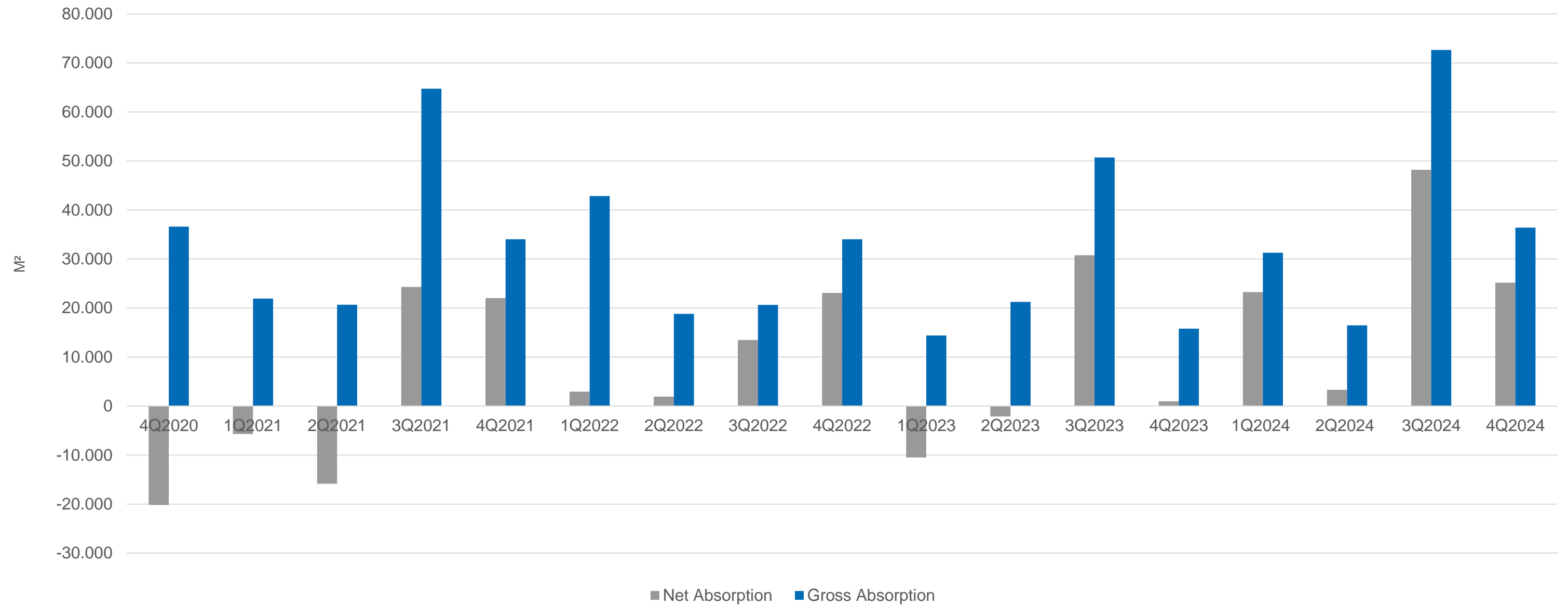
Source: Newmark Brasil – Market Research

\*works have started, but no estimated date for conclusion

# Growth and recovery of demand in 2024

Despite being lower than the previous quarter, both gross and net absorption significantly exceeded the figures recorded in the same period of 2023. In cumulative terms, 157,000 m<sup>2</sup> and 100,000 m<sup>2</sup> were added, respectively: the best year since 2019

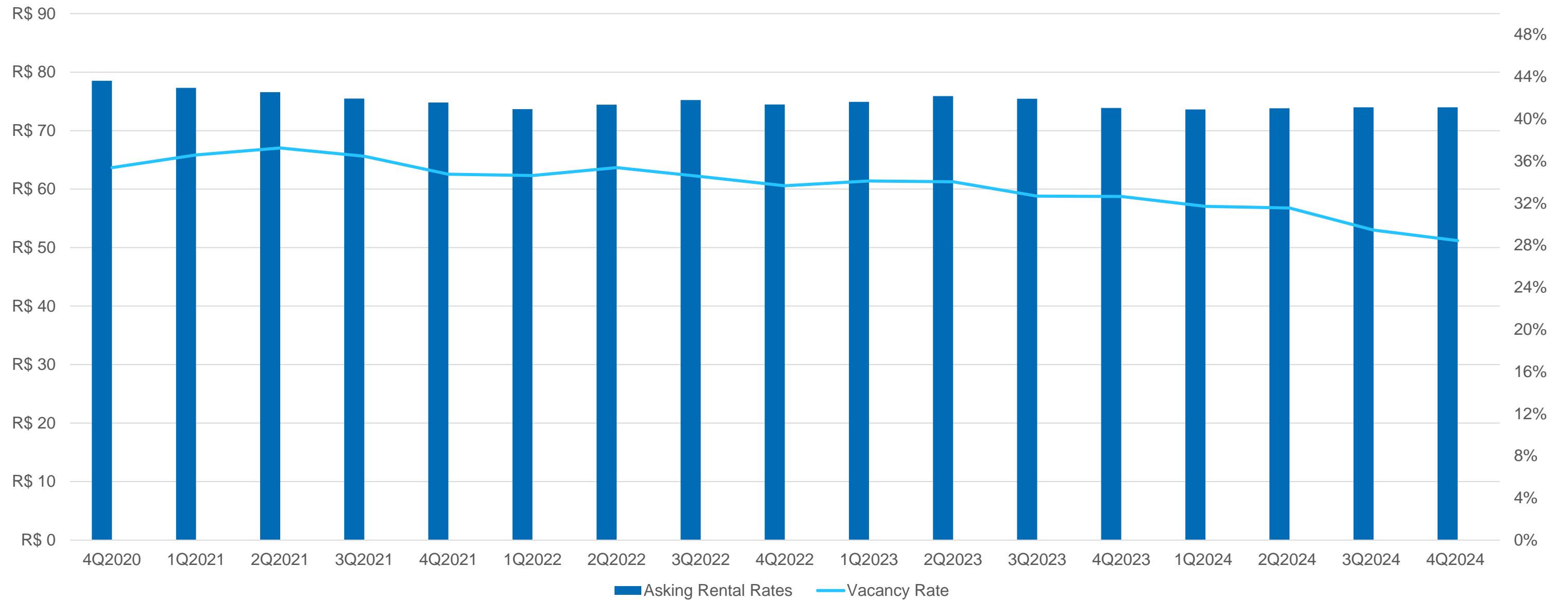
## Gross and Net Absorption (sqm) – Class A, AA and AAA



# Stability in asking rental rates

Despite the reduction in vacancy rates, the volume of supply remains high, which impacts asking rental rates. Although still declining, these prices have shown signs of stabilizing

Average Asking Rent and Vacancy Rate – Class A, AA and AAA



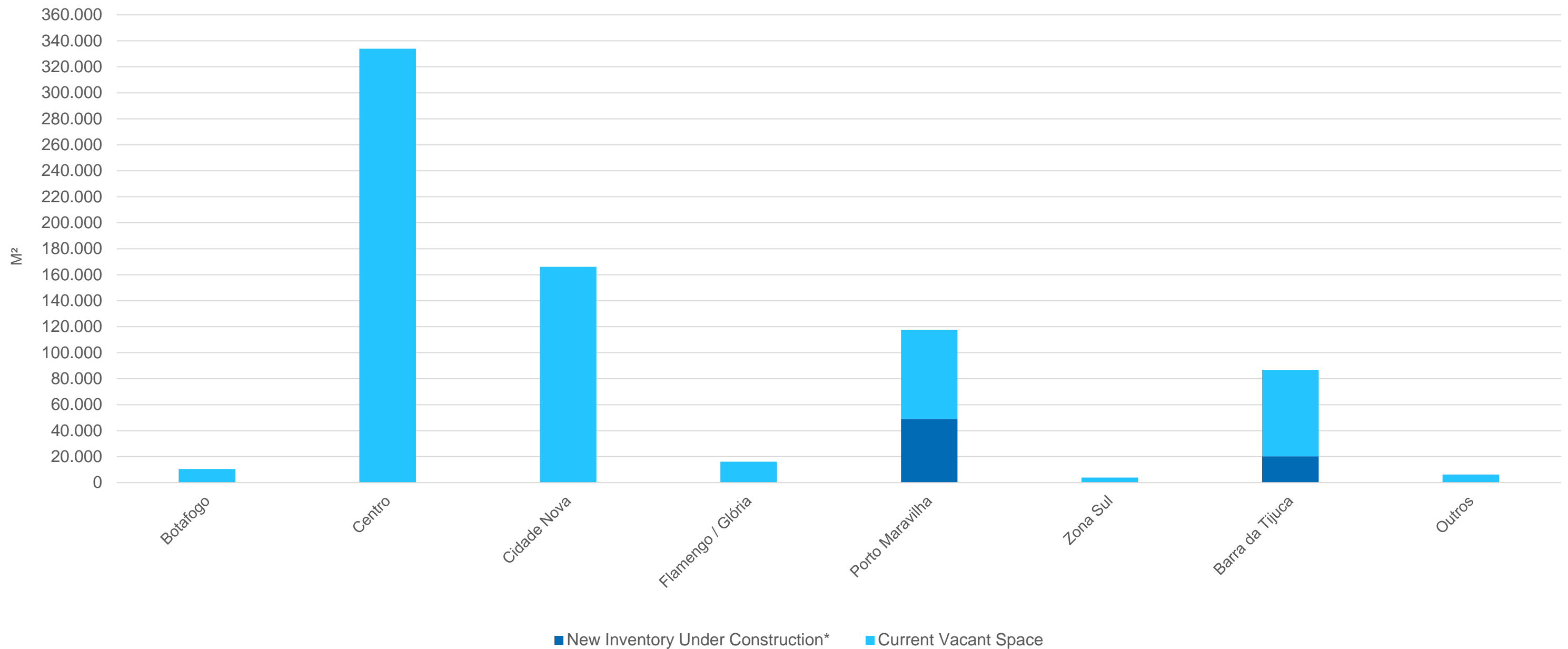
Source: Newmark Brasil – Market Research



# Stagnation in construction activity

The regions of Porto Maravilha and Barra da Tijuca are those with buildings under construction, but with no forecasted date for conclusion; the low construction activity in Rio de Janeiro has been positive, amid the large volume of vacant space in the city

Current Vacant Space vs. New Inventory Under Construction per Submarket (sqm) – Class A, AA and AAA forecasted to 2024

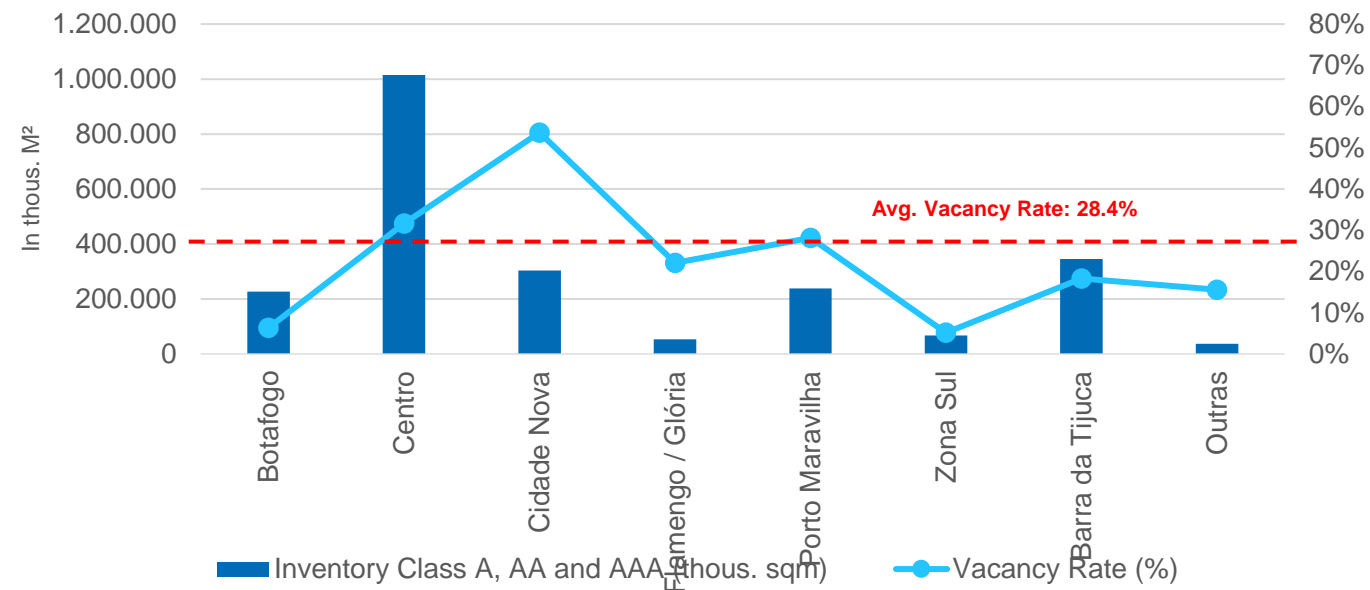


Source: Newmark Brasil – Market Research

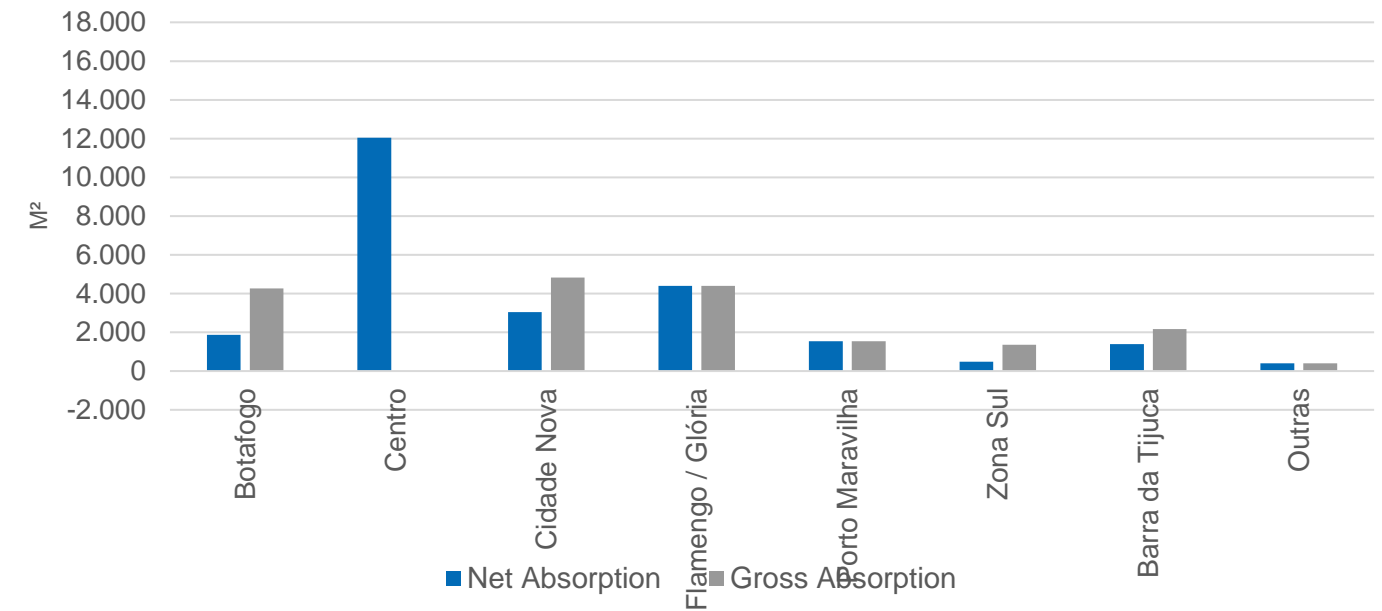
\*works have started, but no estimated date for conclusion

# Comparables per Submarket

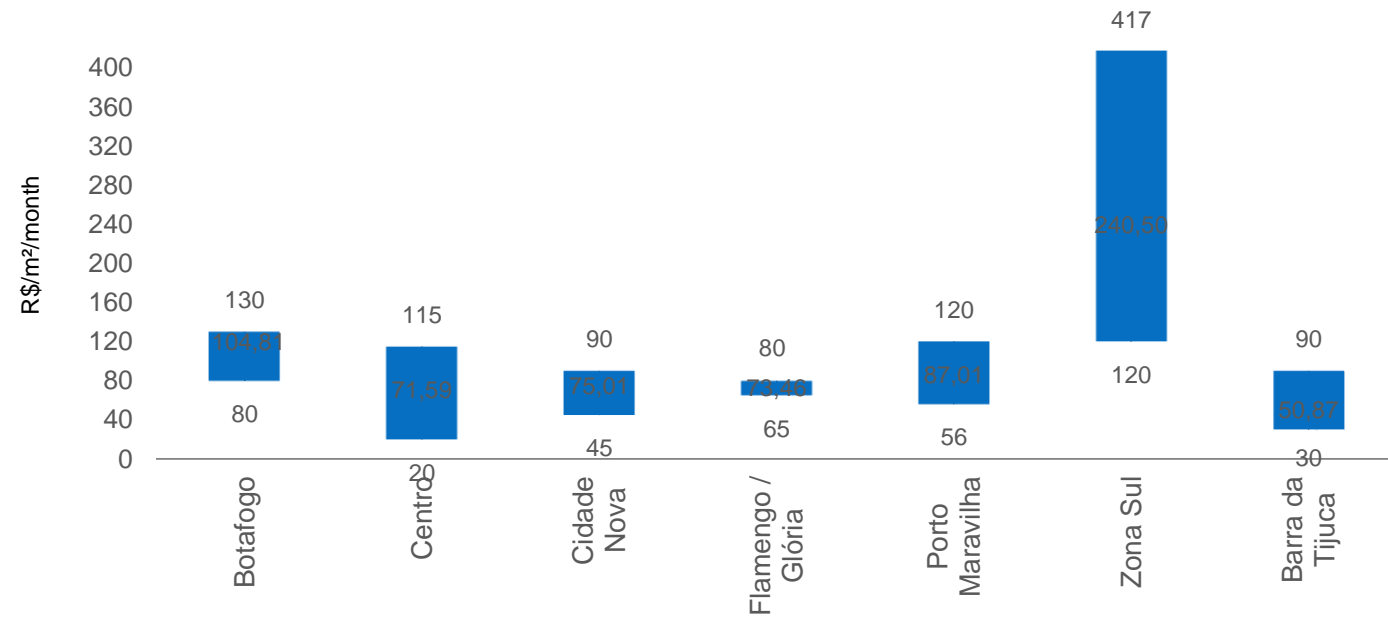
## Inventory vs. Vacancy Rate – Class A, AA and AAA



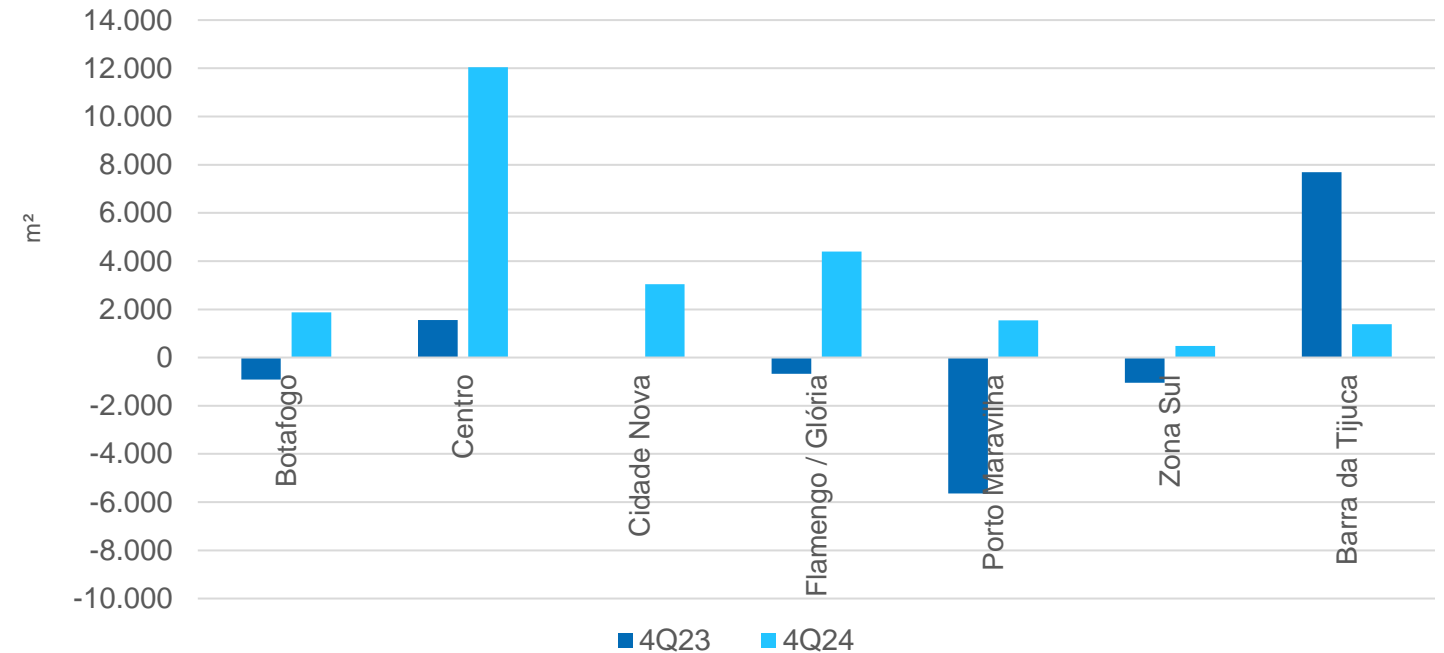
## Gross and Net Absorption per Submarket – Class A, AA and AAA



## Minimum, Average and Maximum Asking Rent – Classe A, AA e AAA



## Net Absorption – Annual Variation – Class A, AA and AAA





For more information,  
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