

1Q2025

São Paulo Offices Market Report

NEWMARK



Market Information

Economy

- Global economic activity remains resilient, with sharper drops in inflation among the more developed economies. The risks to global economic activity revolve around increased protectionism on the part of the US, a sharper slow-down of the Chinese economy, growing geopolitical tensions, and more extreme climate events;
- According to Brazil's Institute for Geography and Statistics (IBGE), the nation's economy grew 3.4% in 2024 driven by services and manufacturing industry;
- However, signs of an economic slow-down, a challenging scenario regarding inflation, foreign exchange, and the job market have caused experts to review the growth expectations for 2025. The Central Bank expects GDP to grow by 2%. The outlook for 2025 is for higher inflation and a worsening exchange rate, along with new adjustments in the basic interest rate, now 14.25% a year and should continue to continue this trend, ending the year at 15.25%.

Transactions

- Gross and net absorption exceeded the previous quarter's figures by 25% and 6%, respectively, demonstrating strong momentum in the early months of the year;
- Occupied spaces increased in almost all survey regions, in particular the Chucri Zaidan, Alphaville, and Chácara Santo Antônio districts, where net absorption in the quarter was 24 thousand, 16 thousand, and 15 thousand square meters respectively;
- Most of the transactions in the quarter involving known parties, involved companies in the service industry, in particular financial/investment concerns, manufacturing industry, and retail.
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Market Indicators

- After a year of consolidation and recovery of the market for high-end office space in São Paulo, it started out the year at a heady pace;
- Demand increased on both a quarterly and annual basis, pushing the vacancy rate down to 19.4%, the lowest it has been since pre-pandemic 2020;
- Despite a significant increase in inventory, the vacancy rate in 2024 was only 20.8%, slightly below the previous quarter, and 3.1 percentage points below the same period in 2023;
- Relatively little new inventory was delivered in the quarter - a total of 27 thousand m² in three buildings. However, a further 361 thousand m² is expected by the end of this year.

Outlook

- Increased net absorption and the constantly dropping vacancy rate are testaments to the recovery of the market for high-end office space, consolidating owner confidence in sustained growth in 2025;
- Demand is expected to remain strong, driven by the constant search for modern and well-located facilities as offices expand, or seek better terms;
- Developments under construction will fill some of this demand, but if deliveries are delayed or otherwise hindered, the vacancy rate could drop even further, especially if demand remains high, which would further drive-up rents;
- However, projections also give rise to uncertainties. The political and economic scenario will remain a critical factor, and could impact company decisions regarding expansion and investment, which would directly impact pricing and occupancy in the corporate real estate market.

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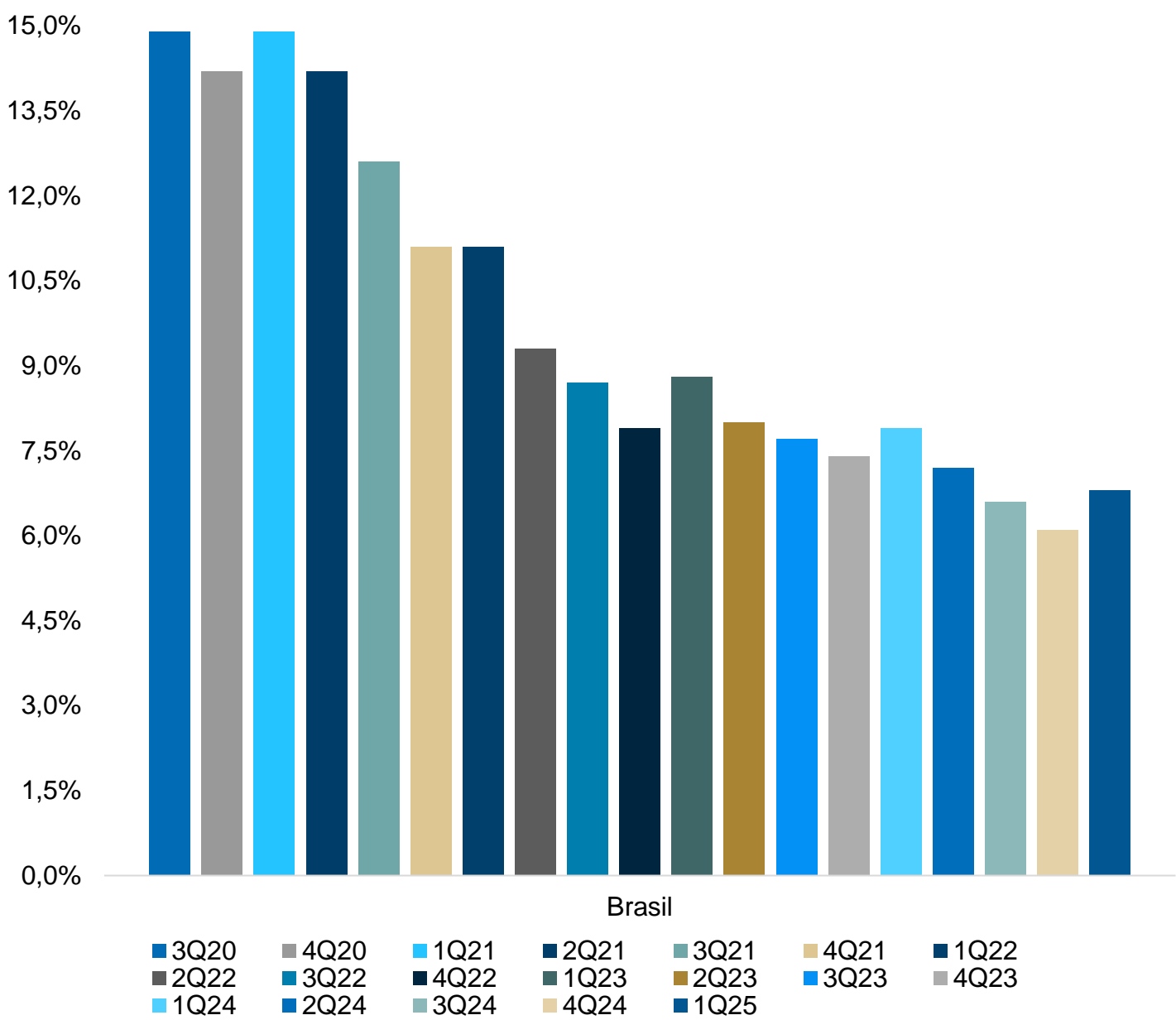
Economy



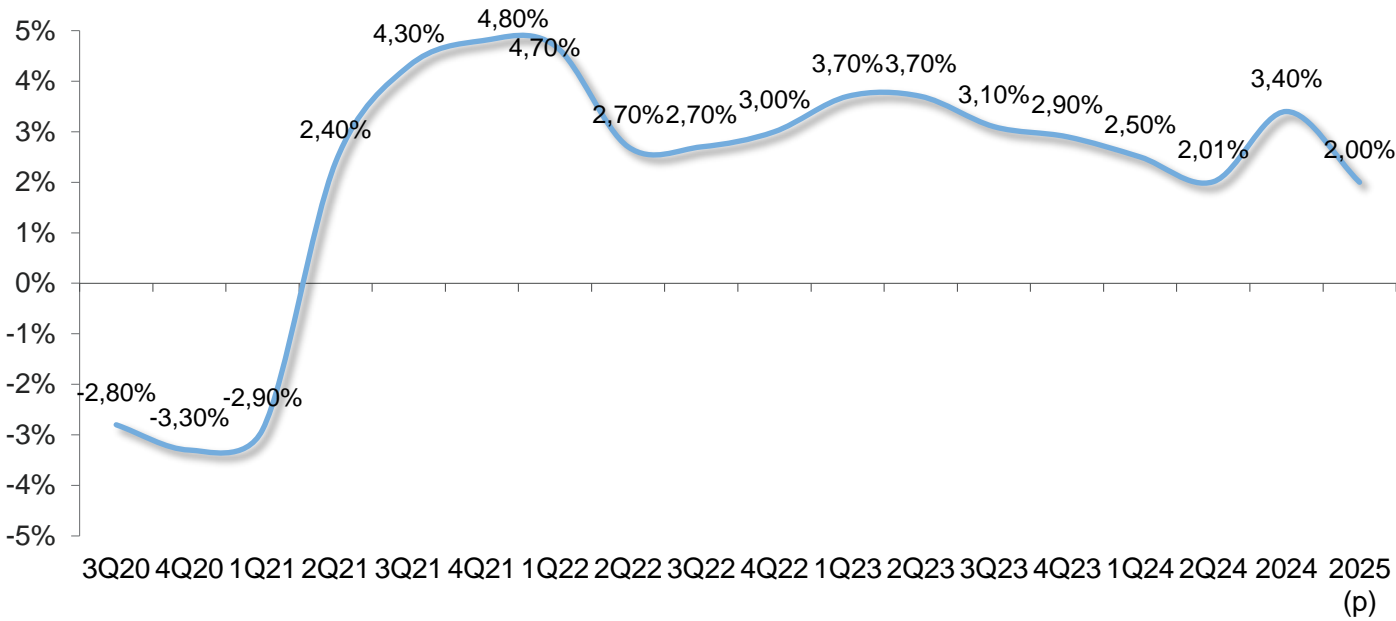
Economy

After consecutive declines that brought it to the lowest level in the analyzed series — 6.1% — the unemployment rate has started to rise again at the beginning of this year. Despite the recent increase, the rate remains below the 7.8% recorded during the same period in 2024. The inflation forecast, as measured by the IPCA, was revised to 5.57% for 2025, still above the Central Bank’s inflation target of 3%. In this challenging scenario, the GDP growth estimate has been lowered to 2% by year-end

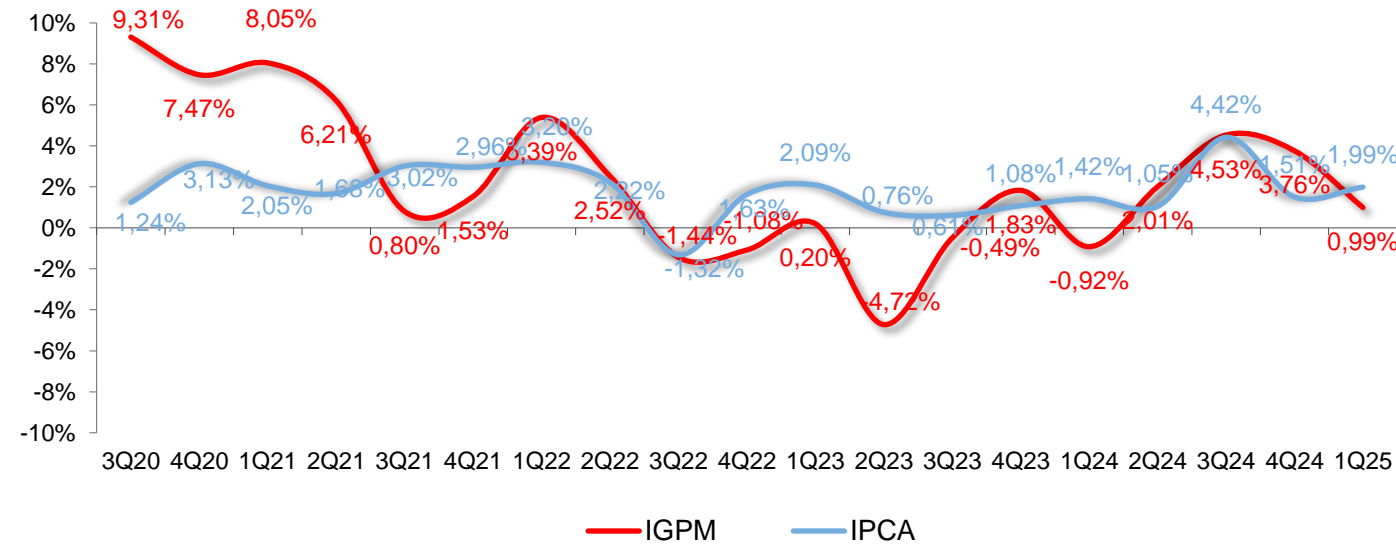
Unemployment rate



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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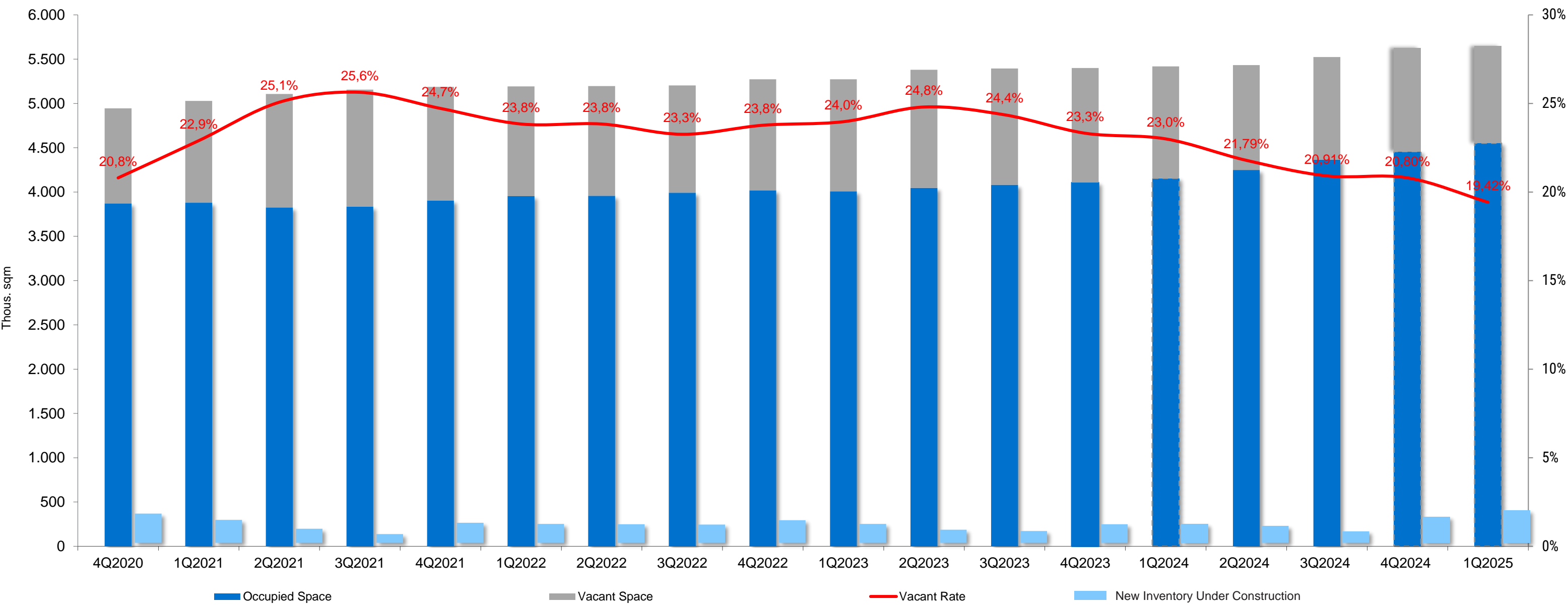
Market Indicators



Declining vacancy and growing demand

Despite the inventory expansion last year, the vacancy rate continues to decline, closing the quarter at 19.4%. This result represents a 1.5 percentage point drop compared to the previous quarter and a 4 percentages point decrease year-over-year, reinforcing the trend of strengthening demand throughout the year. The forecast for new inventory by year-end suggests a significant increase

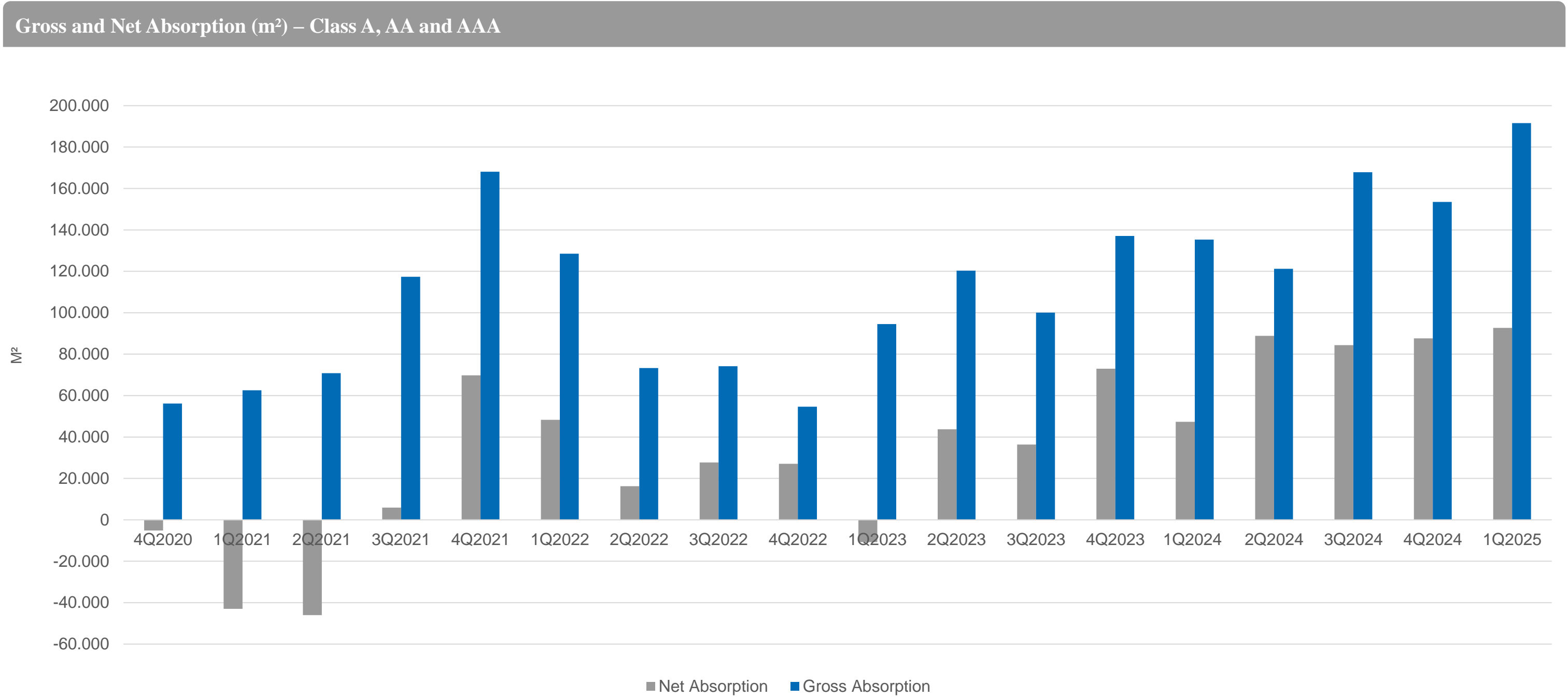
Occupied and Vacant Space, Under Construction vs. Vacancy Rate – Class A, AA and AAA



Source: Newmark Brasil – Market Research

Absorption driving the market early in the year

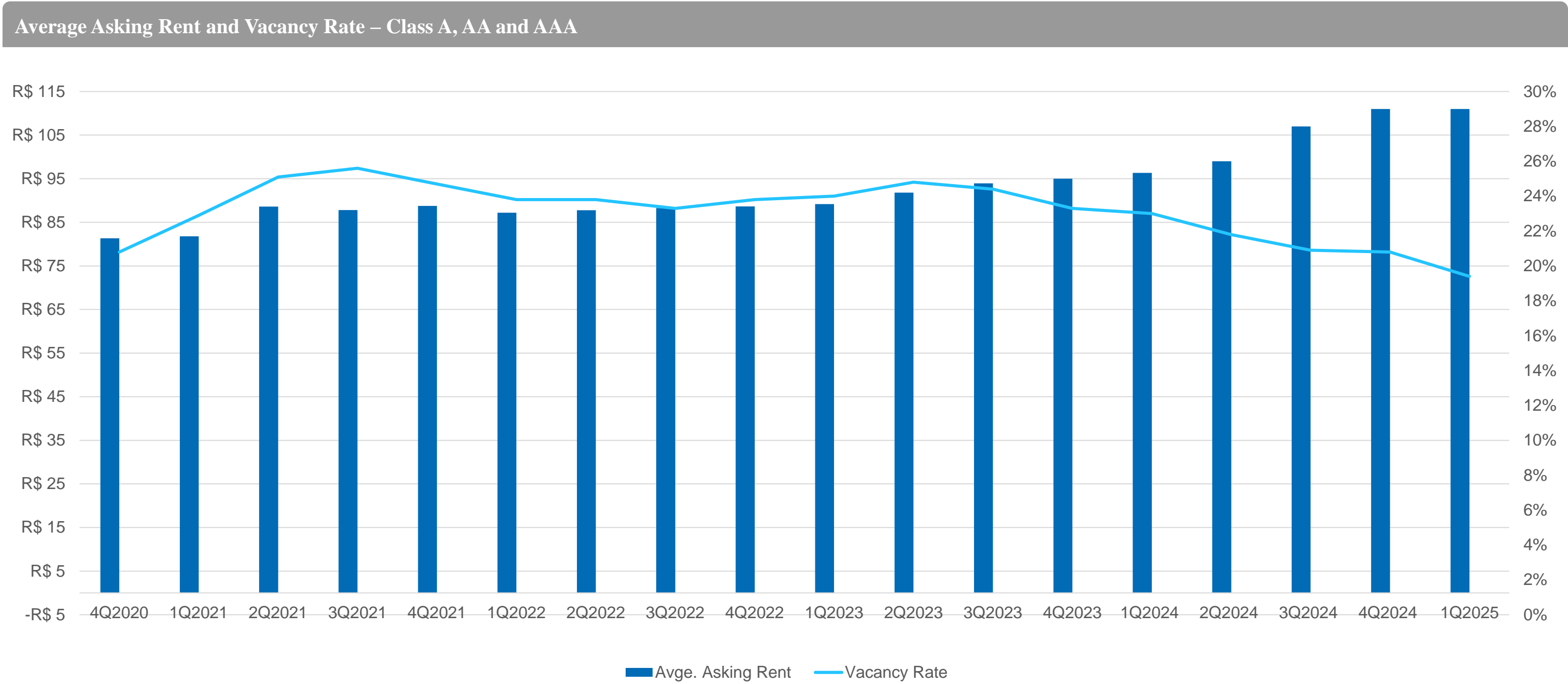
Lease activity started the year strong, with gross and net absorption surpassing the previous quarter by 25% and 6%, respectively, demonstrating significant momentum in the early months of the year



Source: Newmark Brasil – Market Research

Average asking rents were stable in the quarter, but increased y-o-y

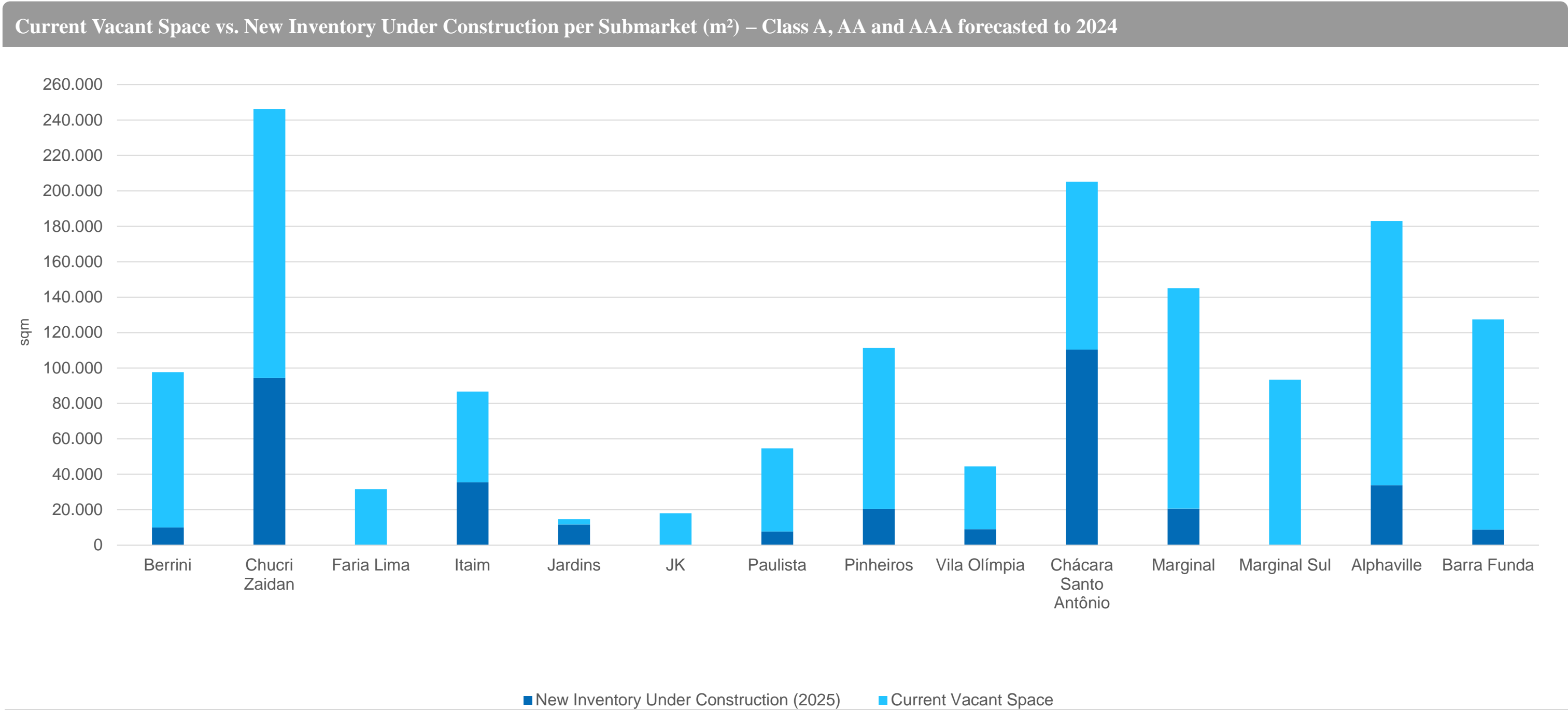
After a significant increase, especially in the 2nd half of the year due to high demand, and new deliveries, asking rents remained stable at R\$ 110.8/m², relatively unchanged from the previous quarter



Source: Newmark Brasil – Market Research

Future supply concentrated in a few regions

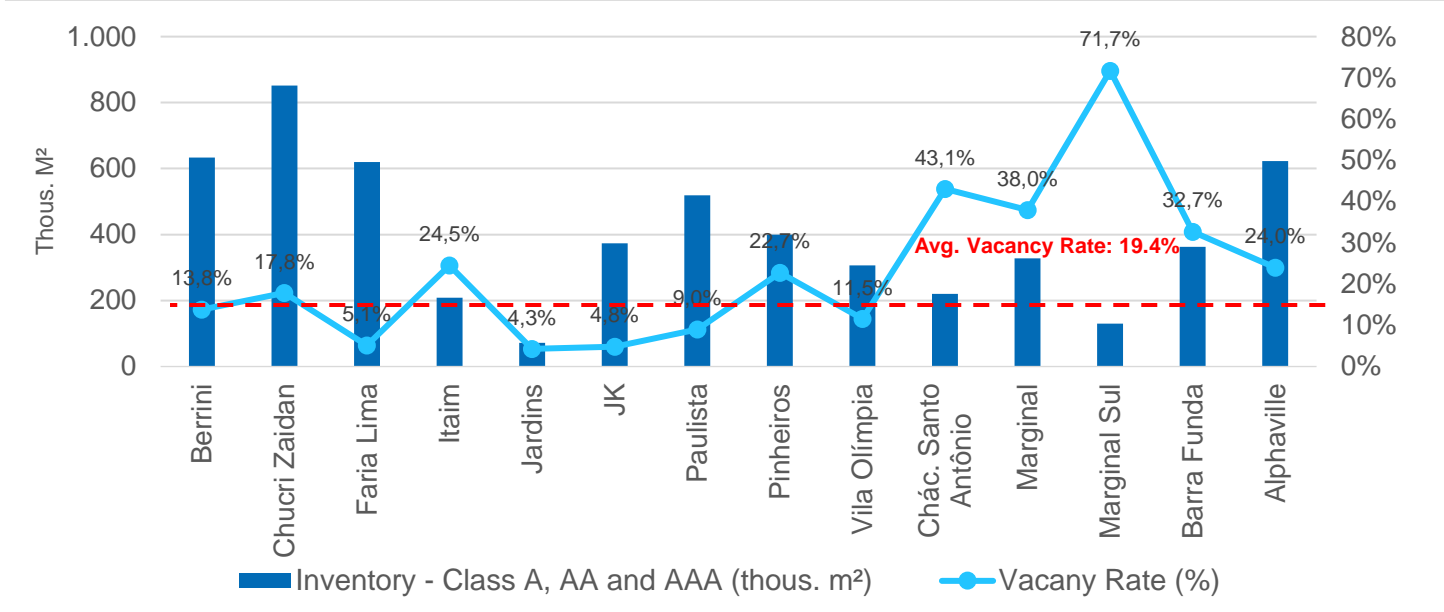
Most high-end corporate office regions are not expected to face additional supply pressure in the short term, even with new developments under construction. Exceptions are Chácara Santo Antônio and Chucrí Zaidan, which already show a significant volume of available space



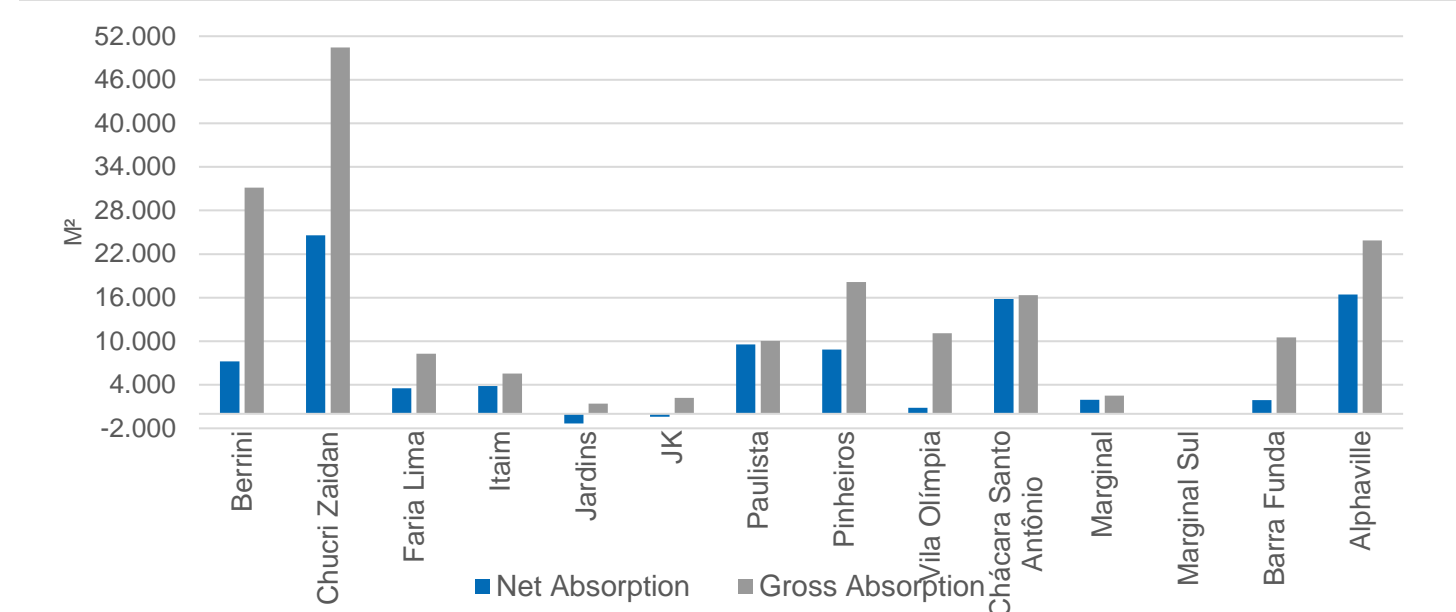
Source: Newmark Brasil – Market Research

Comparables per Submarket

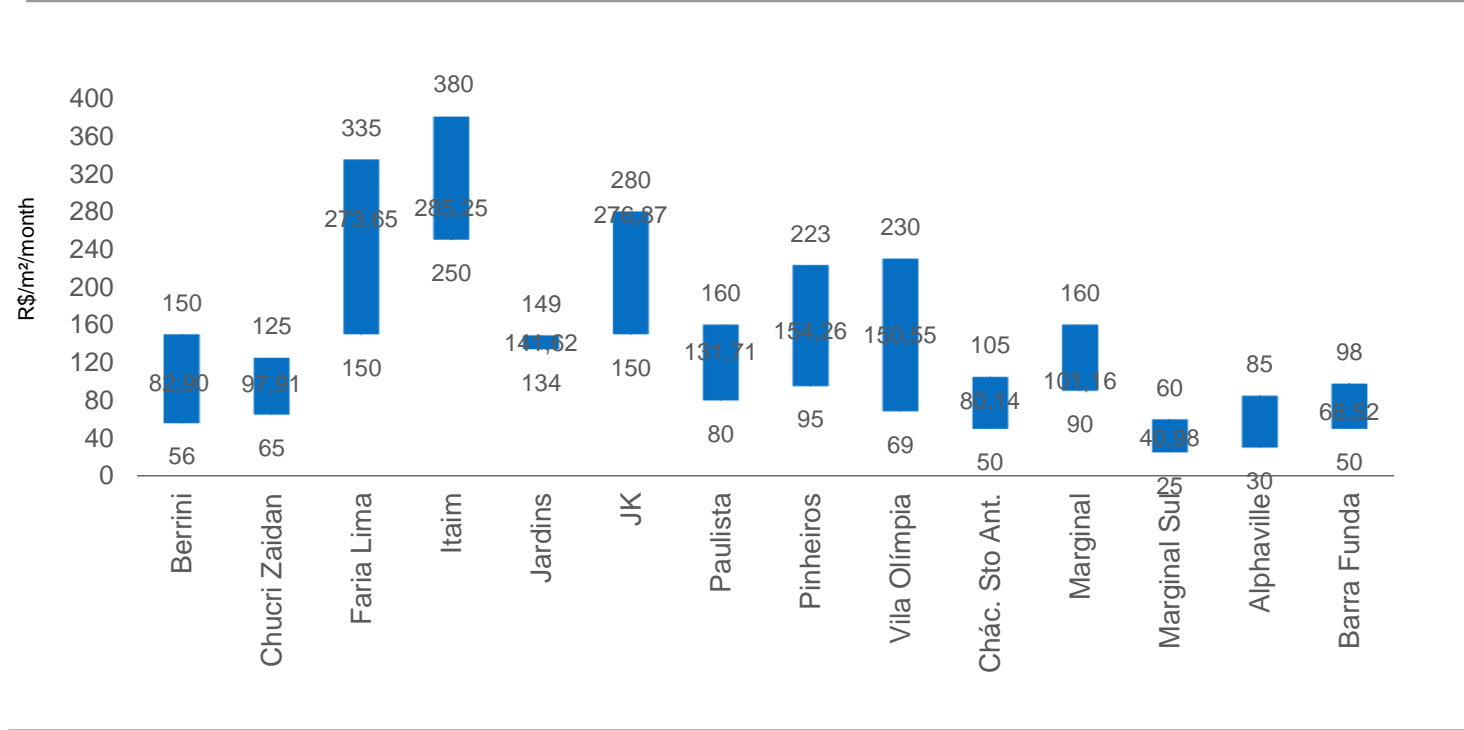
Inventory vs. Vacancy Rate – Class A, AA and AAA



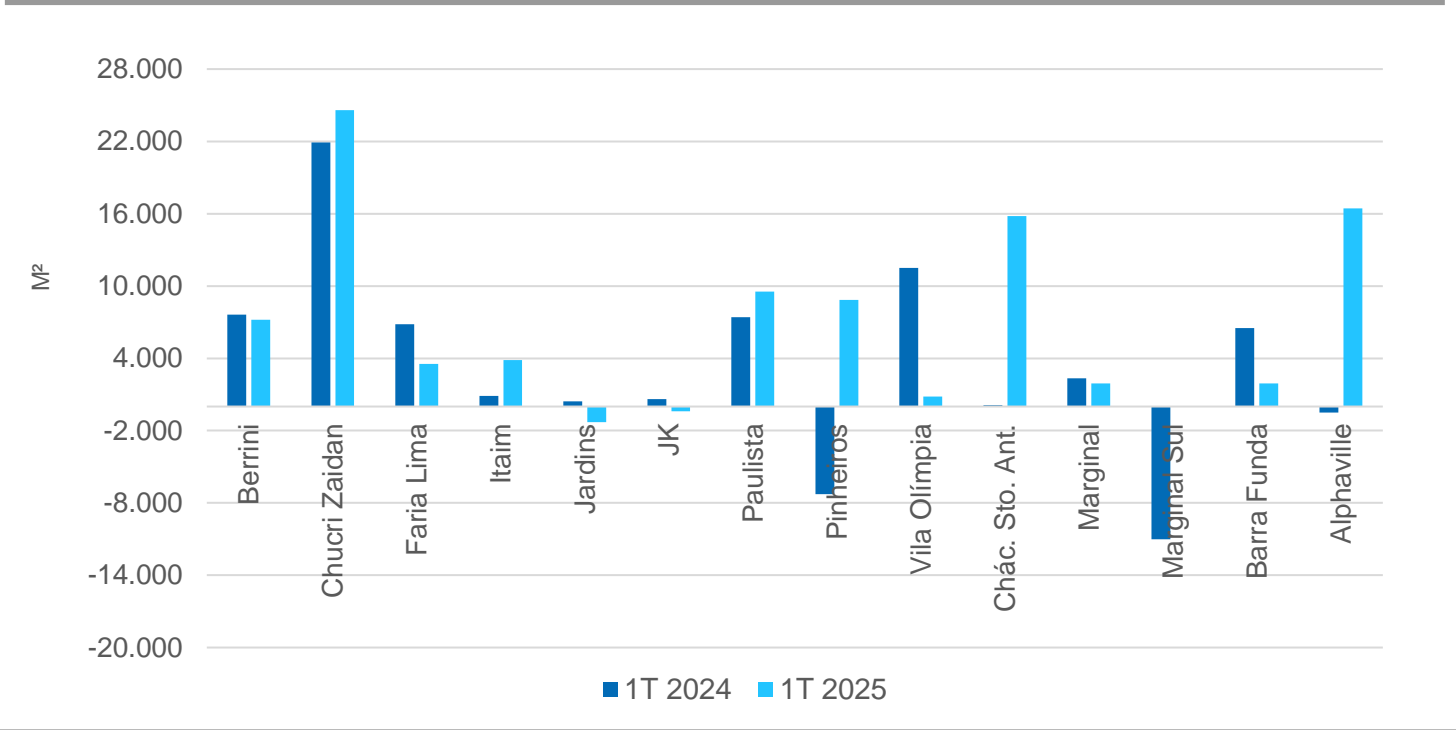
Gross and Net Absorption per Submarket – Class A, AA and AAA



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



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



Source: Newmark Brasil – Market Research



For more information,
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