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4Q2024

# São Paulo Offices Market Report



**NEWMARK**

# 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 9M GDP (through September) was R\$ 2.99 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

- This year, leasing activity was the highest in the historical series;
- The volume of occupied office space went up in almost all survey regions. The largest net absorption in the quarter was in the Marginal district, with 44% net absorption. This is the result of new inventory delivered in Vila Leopoldina, a built to suit development for an international advertisement company, followed by Berrini (11 thousand m<sup>2</sup>), and Faria Lima (10.5 thousand m<sup>2</sup>);
- Of the transactions in the quarter involving known parties, most involved service players, specifically finance and investment companies, technology, and logistics players.

## Market Indicators

- Lease activity is high, with both gross and net absorption steadily increasing;
- The last quarter beat a record in terms of new inventory delivered, with 108 thousand m<sup>2</sup> in 6 new buildings;
- 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;
- Average asking rents continue to go up, closing the quarter on an average of R\$ 110.80/m<sup>2</sup> across all regions in our São Paulo survey.

## Outlook

- The increasing net absorption and falling vacancy rate suggest that the recovery in the demand for high-end office space is now a fact;
- The numbers for 2024 strengthen owner confidence that properties will continue to be a source of income in 2025, with growing demand being supplied by existing and new developments, with consistently higher prices. Low vacancy rates should remain a reality, especially in areas of large demand and short supply, especially if not all the new inventory is delivered, and/or absorption remains at the current level.;
- The risk that these estimates will not become a reality is associated with the high levels of uncertainty in the political and economic scenarios, which could dampen growth and investment, directly impact activity in the real estate market.

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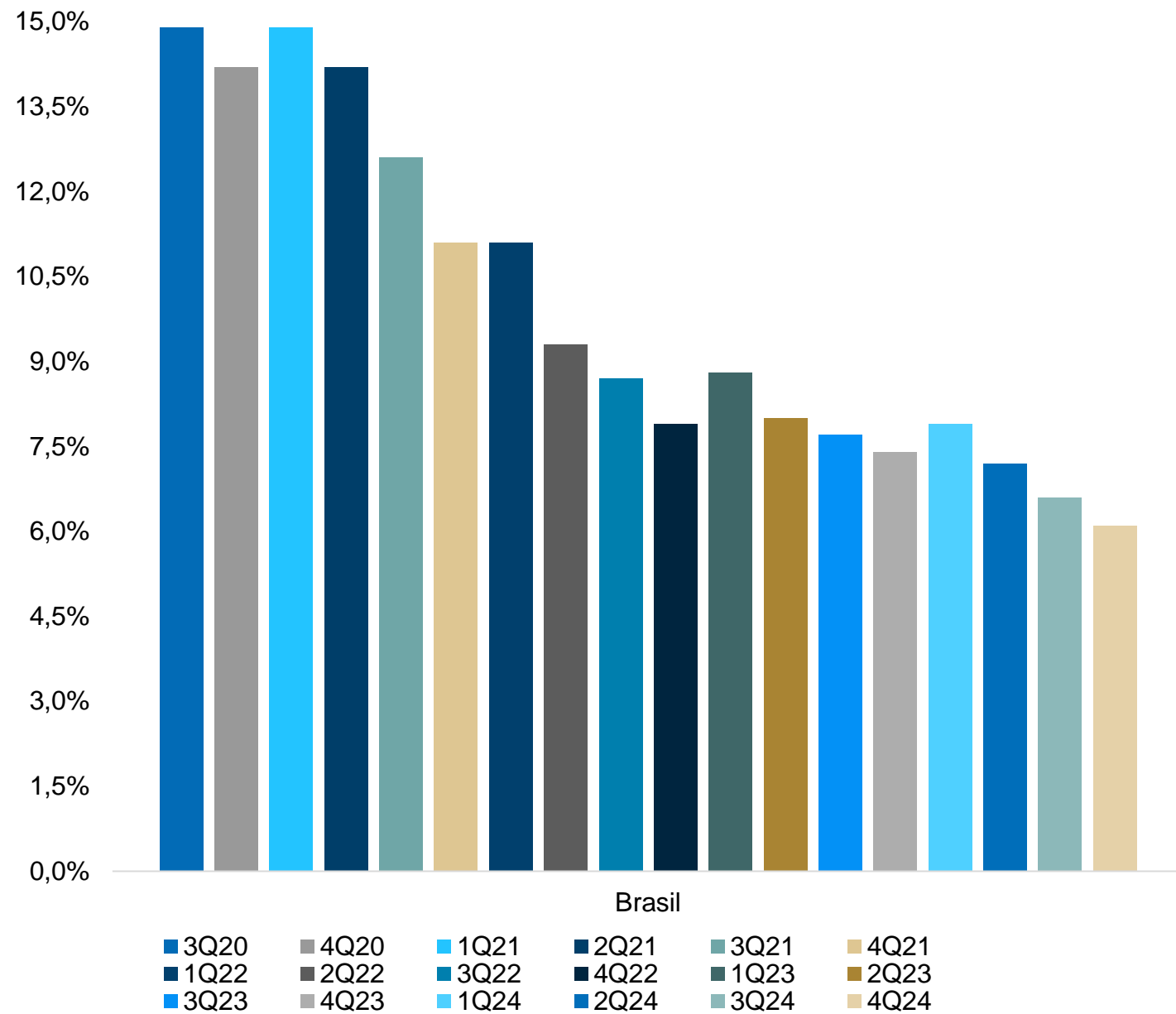
# Economy



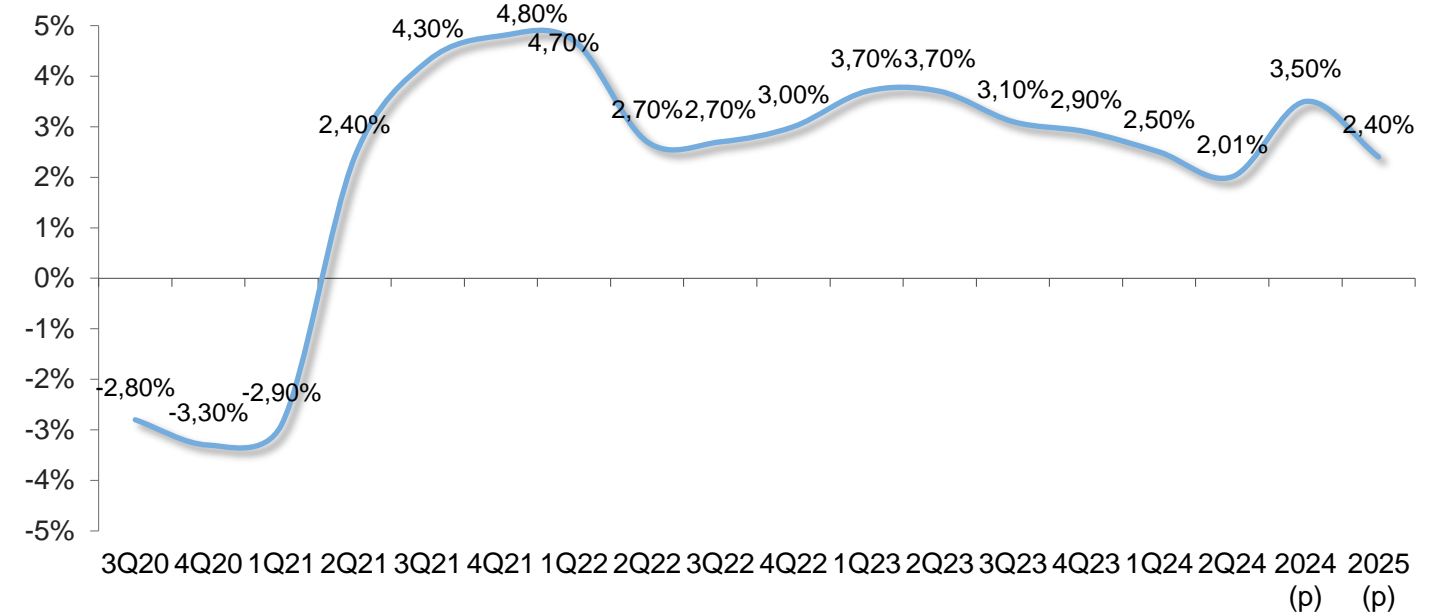
# Economy

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

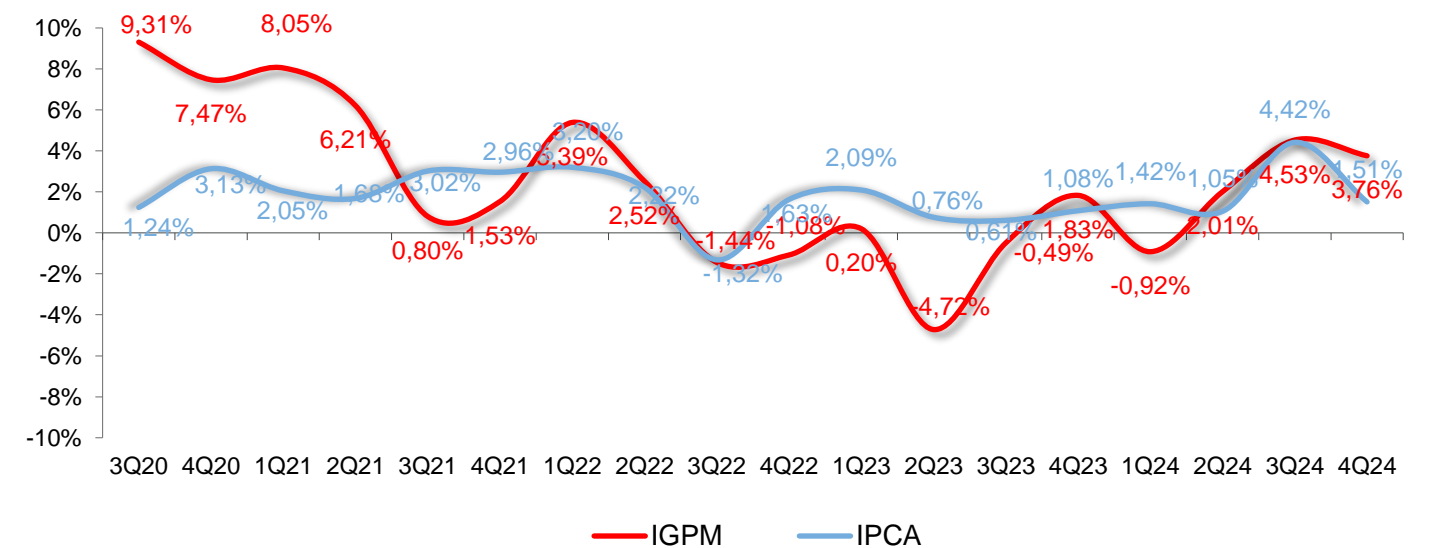
Unemployment rate



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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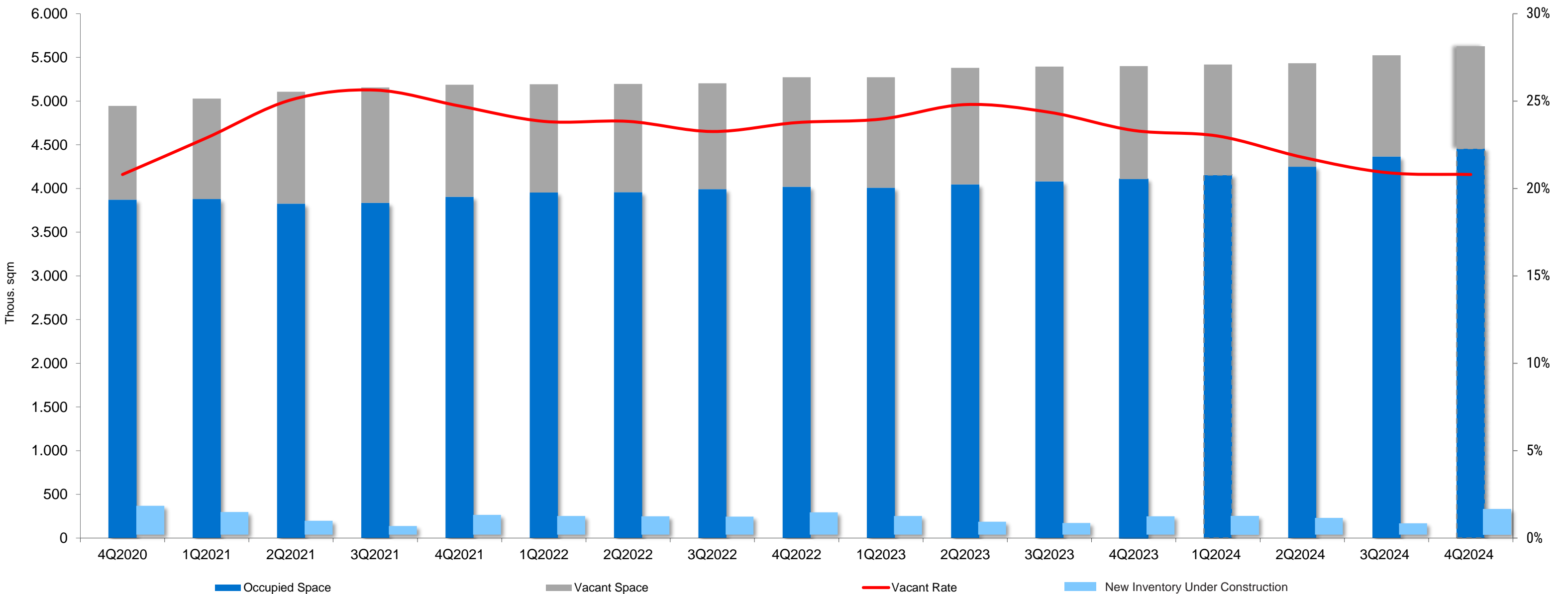
# Market Indicators



# Supply is down percentage-wise, even with the growth in inventory

The last quarter of the year saw the highest volume of new inventory delivered, totaling 108,000 m<sup>2</sup> across six new buildings. The year-to-date new inventory for the year reached 213,000 m<sup>2</sup>, exceeding 2023's figures by 42%. Despite the significant growth in inventory in 2024, the vacancy rate stood at 20.8%, with a slight quarterly decline and 3.1 percentage points below the same period in 2023, confirming the intensification of demand throughout the year

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

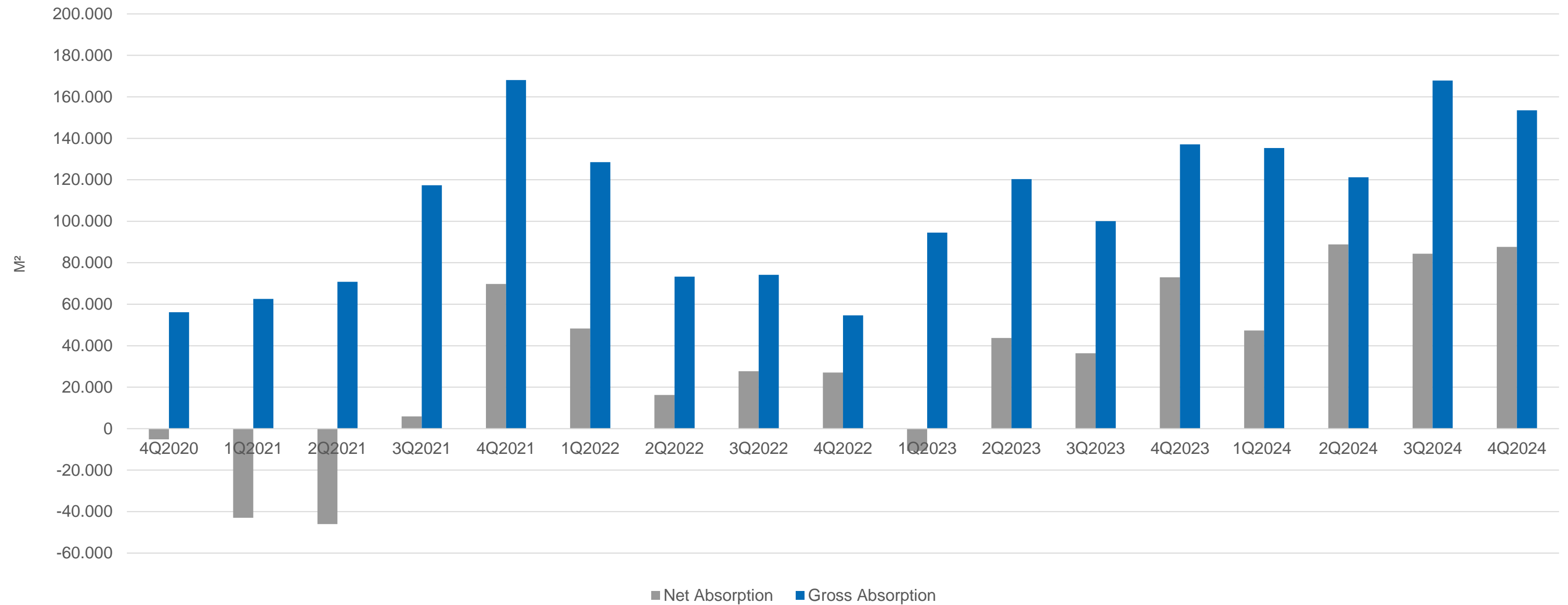


Source: Newmark Brasil – Market Research

# Occupied spaces grow substantially in 2024

Leasing activity followed the trend of recent quarters, with gross and net absorption consistently increasing. The year-to-date volume for the year reached 577,000 and 308,000 m<sup>2</sup>, respectively, the highest figures in the historical series tracked since 2007

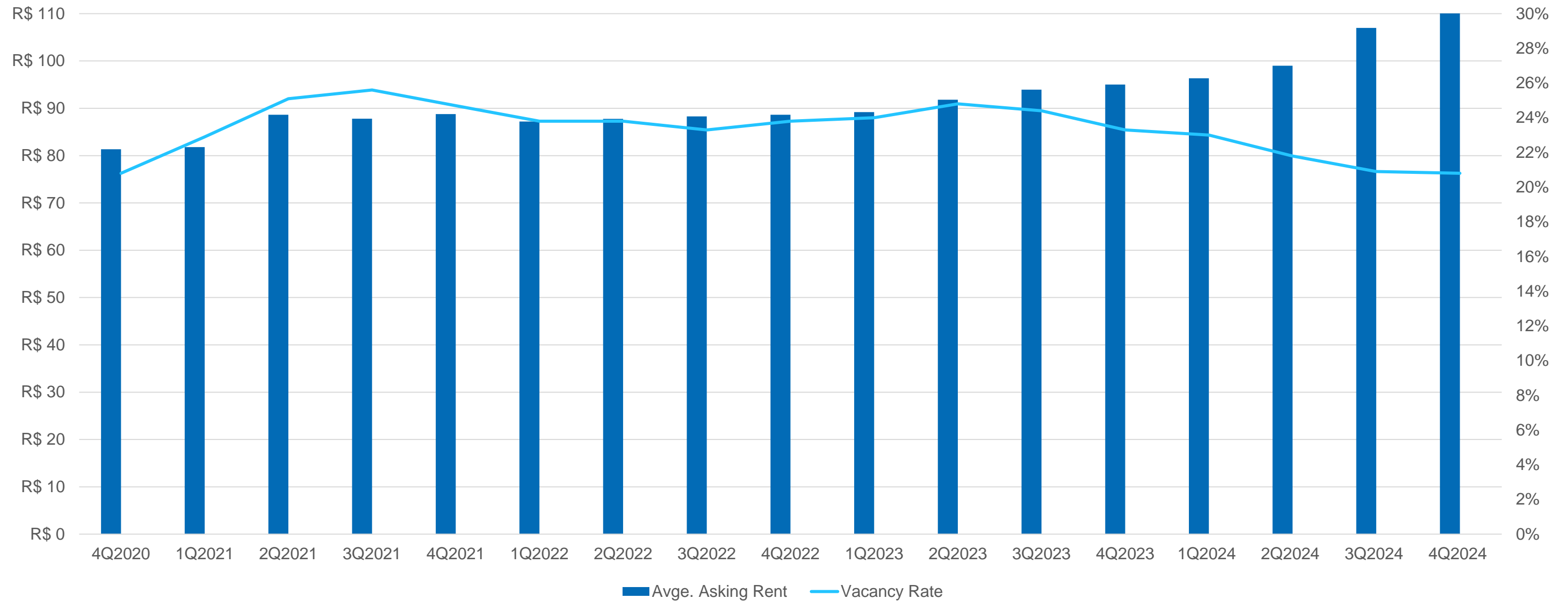
## Gross and Net Absorption (m<sup>2</sup>) – Class A, AA and AAA



# The average asking rental value shows consecutive increases amid strong demand

Driven by the dynamic demand for high-end office spaces in the city and the delivery of new high-quality inventory in strategic areas, the average asking rental rent saw a significant increase, reaching R\$110.8/m<sup>2</sup>/month in the 4th quarter – the highest average recorded since 2013

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



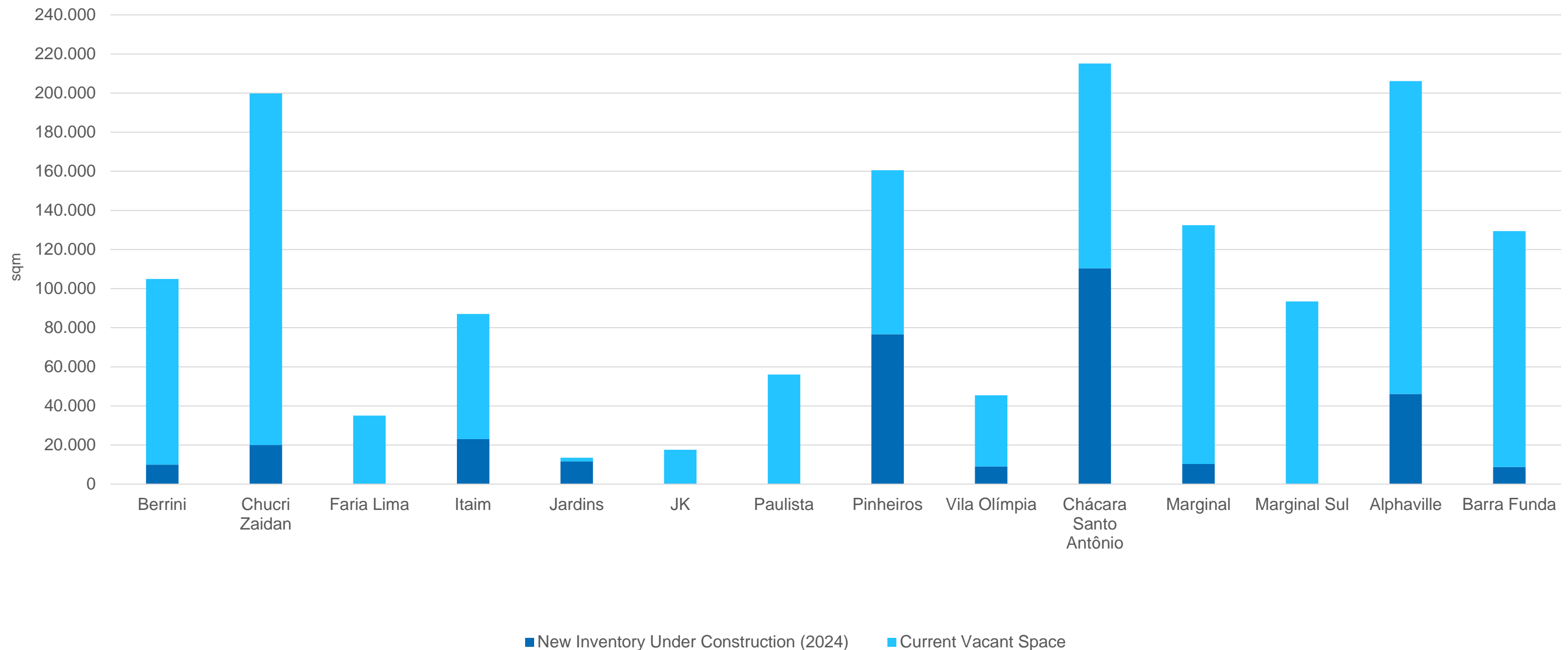
Source: Newmark Brasil – Market Research



# The new inventory under construction does not pose a risk of oversupply in most of the market

Most high-end office building regions are not expected to face a risk of increased supply due to new inventory under construction, except for Chácara Santo Antônio, Alphaville, and Pinheiros, which currently have a large volume of vacant spaces

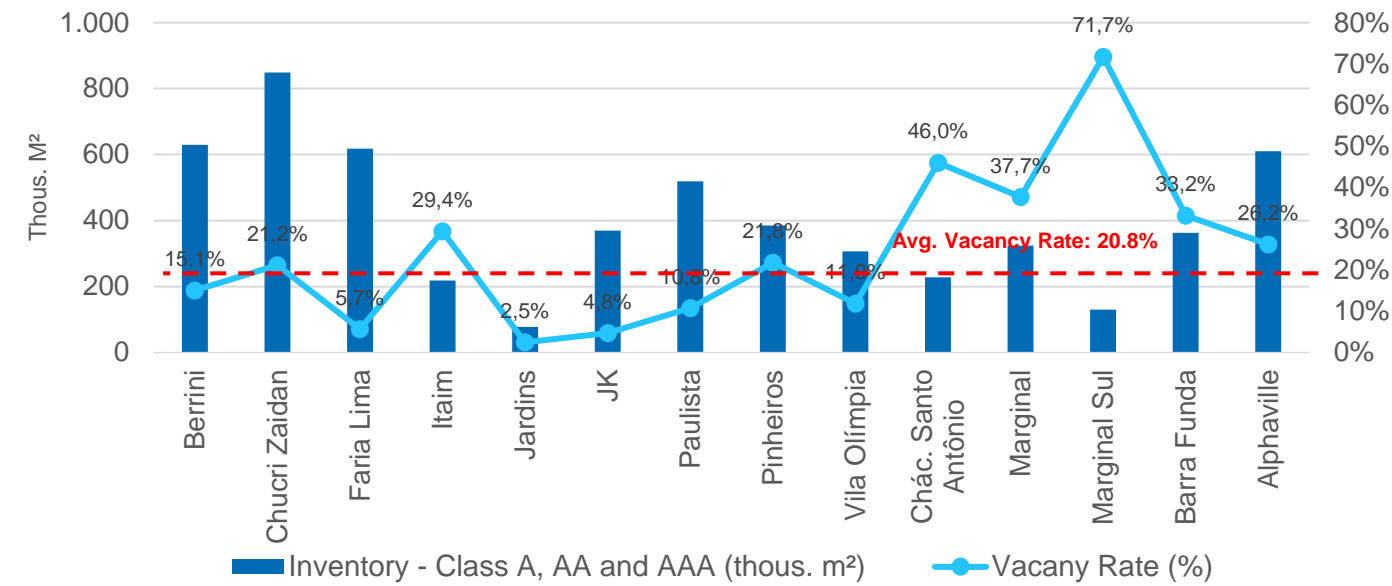
Current Vacant Space vs. New Inventory Under Construction per Submarket (m<sup>2</sup>) – Class A, AA and AAA forecasted to 2024



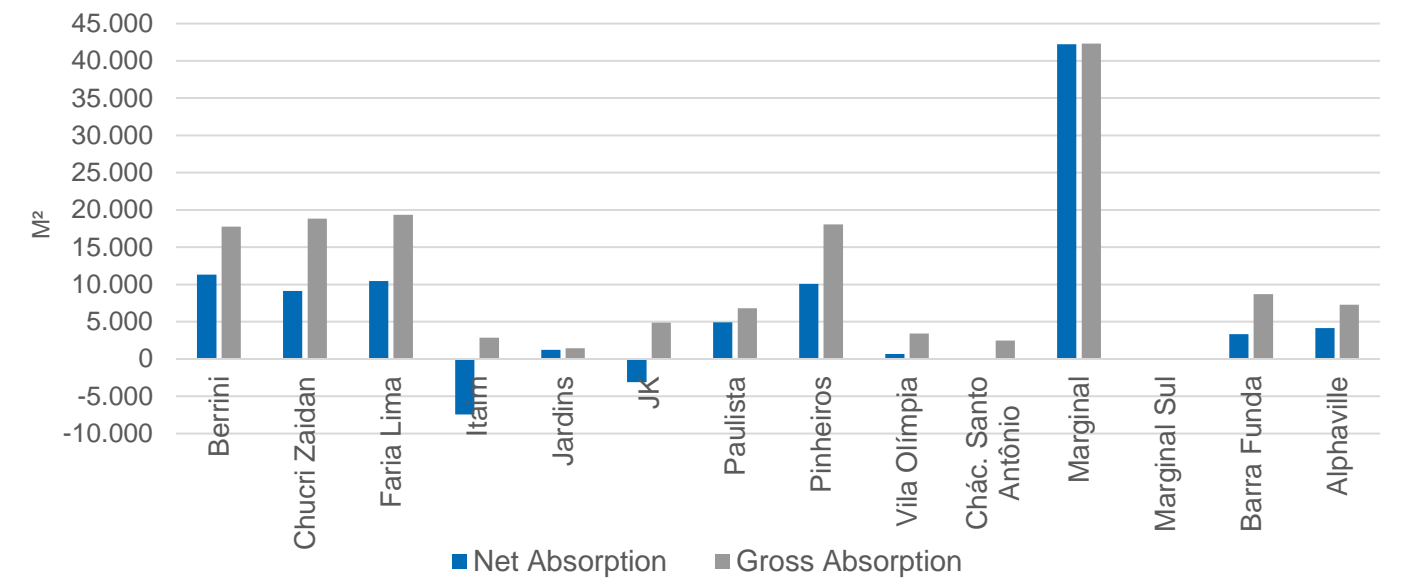
Source: Newmark Brasil – Market Research

# Comparables per Submarket

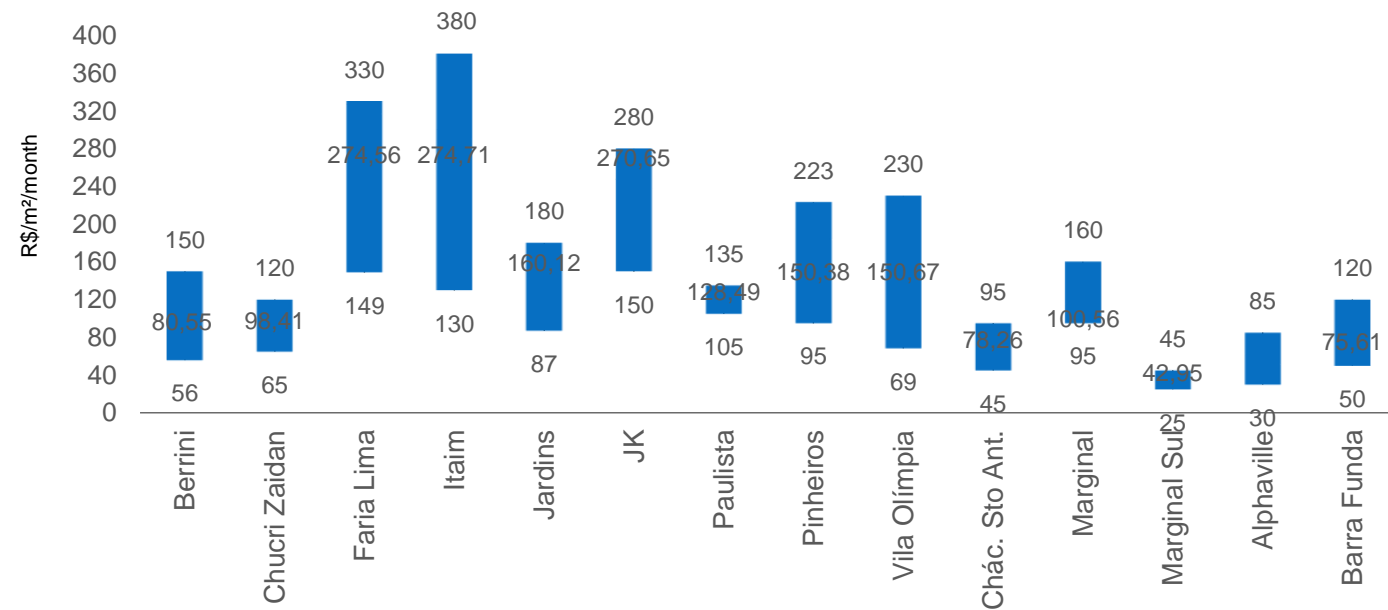
## Inventory vs. Vacancy Rate – Class A, AA and AAA



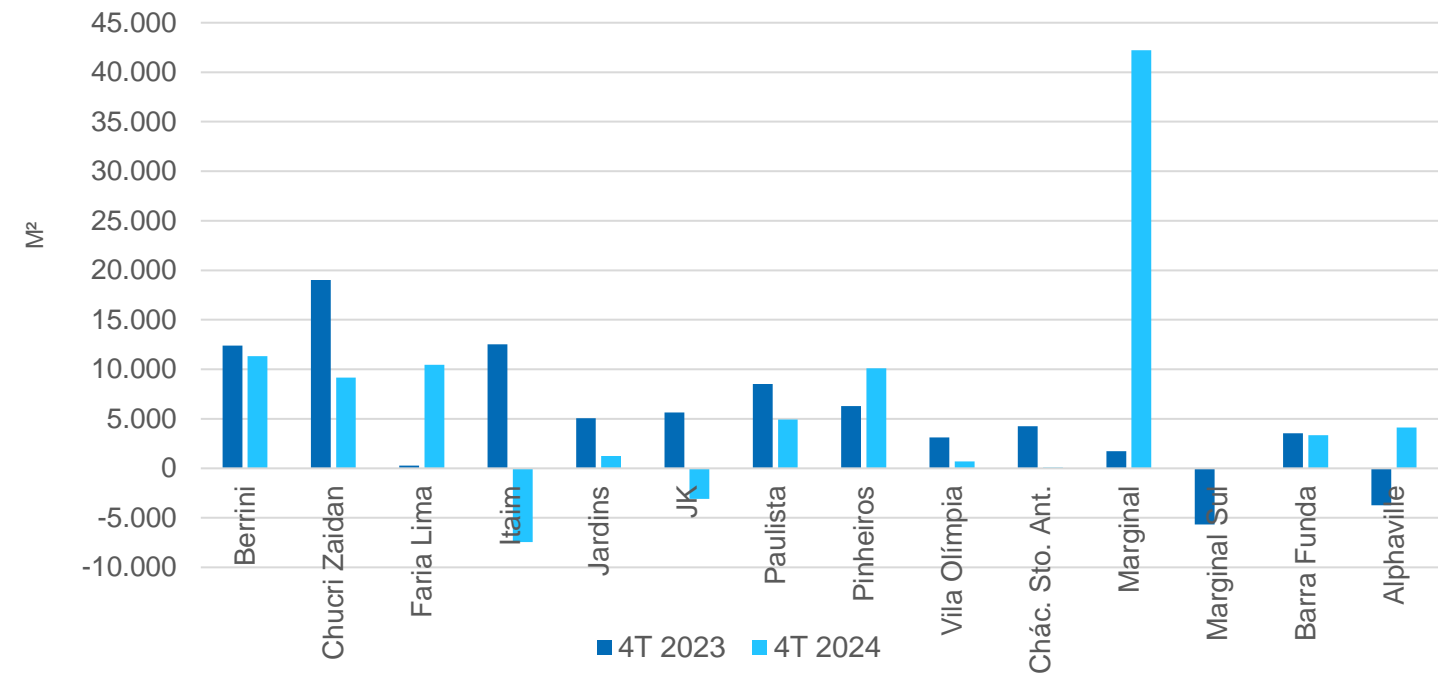
## Gross and Net Absorption per Submarket – Class A, AA and AAA



## 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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