

3RD EDITION

REAL ESTATE

HOW TO UNDERSTAND REAL ESTATE MARKET IN BRAZIL

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ACKNOWLEDGMENTS



The American Chamber of Commerce for Brazil, being the largest Amcham outside the United States is constantly serving its members by building bridges for Brazilian businesses worldwide. Our foreign investment attraction efforts have also been a key leading point for Amcham. The How to series is part of this initiative. With the support of some of our corporate members we are putting together strategic information on the most various aspects of doing business in Brazil. As part of BRICS (Brazil, Russia, India, China and South Africa) and representing the 7th largest economy of the world, being also the 5th biggest destination for foreign investment, Brazil has clearly demonstrated its importance in the global market. Furthermore, the medium and high classes are increasing, which creates a solid internal market and contributes to maintain good results in the economy. It is now more than ever a strategic time for businesses opportunities in Brazil. We welcome you and hope that the information you are about to read serves you best.

A stylized, handwritten signature in dark ink, appearing to read 'Gabriel Rico'.

Gabriel Rico - CEO, Amcham Brasil



The corporate office market goes through a changing period, as a consequence, it is strictly necessary to understand the past, interpret the present and especially the future for all areas involved in commercial and development process. This period can be considered of great opportunities for companies that need to consolidate their operations since we never had so many high-end buildings being delivered at the same time. Understanding market data allows risk mitigation in the decision-making process. Colliers International presents, under the title 'How to Understand Real Estate Market in Brazil', from the "How To" series, in partnership with AMCHAM, the necessary information about corporate properties in Brazil.

A stylized, handwritten signature in dark ink, appearing to read 'Ricardo Betancourt'.

Ricardo Betancourt - President - Brazil, Colliers International Brazil

REAL ESTATE





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INTRODUCTION

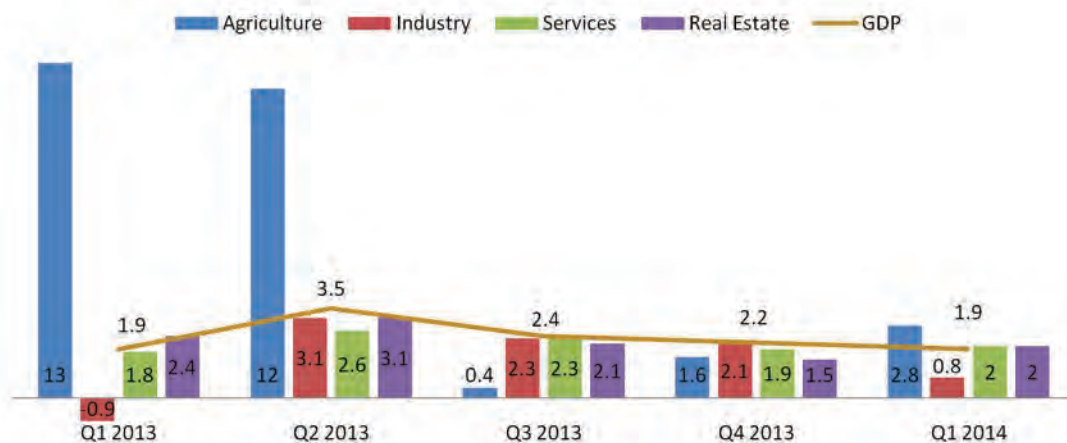
The dynamism boasted by the Brazilian economy within the last few years in an atmosphere of economic consistency has attracted the interest of foreign companies to the country.

Leveraged specifically by the greater capacity and the entry of new suppliers and new technologies, an extreme growth of the domestic market is observed and, with this, the demand for corporate spaces in the country's

major submarkets such as São Paulo, Rio de Janeiro, Belo Horizonte and Recife, which offer the investors good potential for returns.

At the end of 2013, the Brazilian GDP showed a 2.3% growth rate. Though this is considered lower than the country's potential, it was a positive result in comparison to the world's largest economies.

**Quarterly GDP Growth Rate
(12 months - %)**

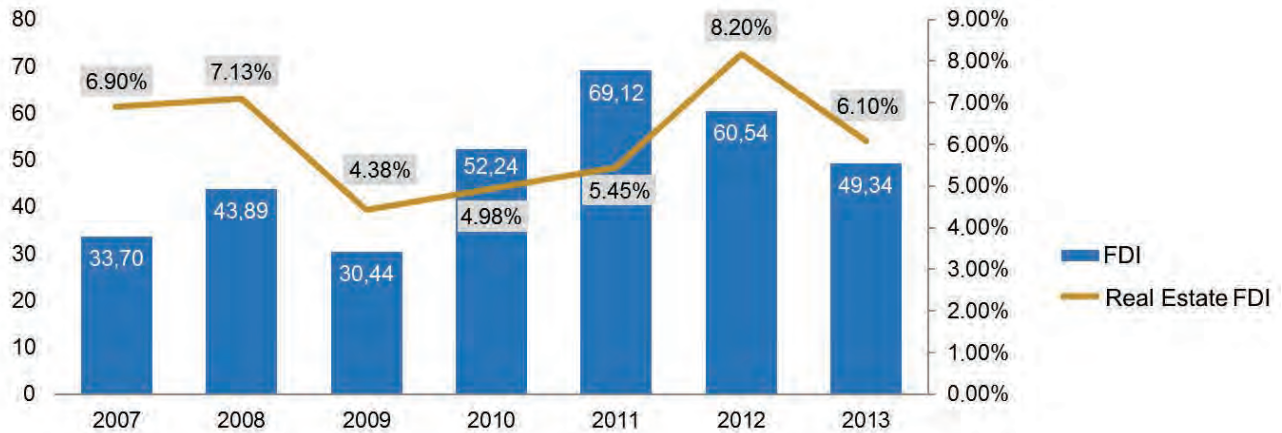


Source: IBGE

It is a fact that the results of the United States and Europe economy have negatively affected the level of foreign direct investments in Brazil, due to the strong presence

of multinational corporations in the country. The amount in 2013 were the lowest of the last three years, including the real estate market.

Foreign Direct Investment (USD billion)



Source: BACEN.

Despite the foreign financial markets are still volatile, the recovery of the global economy is looking more positive, especially because of the standardization process for monetary conditions in the United States. The growth of the largest economies in the world has increased the foreign demand for goods and services, exporting growth to other places around the globe.

This scenario has accelerated the Dollar's appreciation against the Real. While this will bring benefits to the national economy because of the competitive prices of exported products, the higher costs of imported raw material will lead to inflation.

Evolution of Exchange Rate 2013 (R\$/USD)

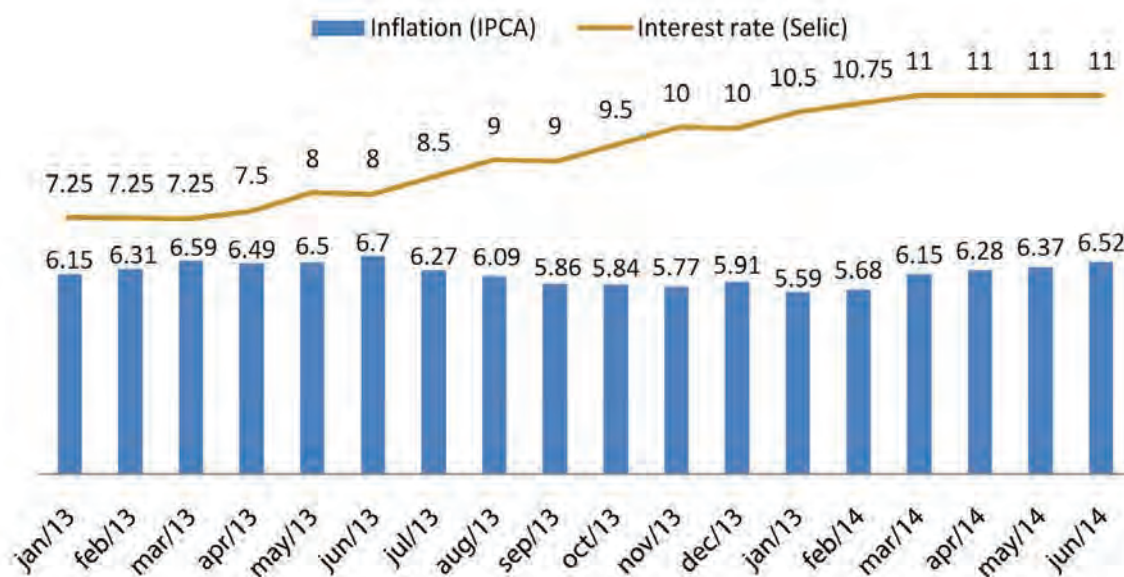


Source: BACEN.

According to Bacen (Brazilian Central Bank), the inflation registered by IPCA (National Consumer Price Index) for the last twelve months reached 5.9% in December of 2013 and 6.52% in June of 2014, above the government target of 4.5% (with a margin of 2 percentage points above or

below). This is due to the strong influence of increasing prices for food and beverages, as well as services. It forced the authorities to raise the basic interest rate (Selic) from 7.25% in March of 2013 to 11% in March of 2014.

Cumulative Inflation X Interest Rate (%)



Source: IBGE and BACEN.

Therefore, though recovery seems plausible, investors must watch inflation in upcoming months, since a consistently elevated inflation rate creates an environment of uncertainty in which businesspeople feel less confident about making new investments and families are less confident about consuming, which slows the economy's capacity to grow. According to the Focus report published by the Bacen, the market expectation is that inflation will rise 6.46% in 2014. Regarding interest rate, economists are predicting an interest rate of 12% for 2014.

All of these factors influence the building classification and the real estate market in Brazil. There is no consensus or market rule on the use of nomenclature or classification criteria in the country. Generally, corporate buildings can be classified as A+, A, B or C. There is also a category called SC (commercial spaces) made up of buildings with units smaller than 100 sqm.

Class A+ buildings have the following main characteristics:

- Excellent constructive standards;
- Efficient floor usage;
- Cutting edge technology;
- Complete BMS System;
- Average building age up to 10 years old;
- Sustainable building certifications (LEED, Acqua).

Class A buildings are also considered high standard, though they have technology that is less modern. They may or may not be missing some of the characteristics of A+ buildings. The class A buildings have the following main characteristics:

- Excellent constructive standards;
- Floor efficiency lower than class A+ buildings;
- Partial BMS System;

- Average building age up to 20 years old.

Class B buildings presents ranges from low to medium score about efficiency and quality, because this category includes buildings that recently moved from class A and also the ones that is almost a class C. Nevertheless, this category includes offices of many multinational companies, and it can be a good option due to the elevated lease prices for the A+ and A classes.

Class C buildings are old and outdated, cannot be improved and have no technology applied. These buildings are used by smaller companies with lower budgets. One of the options for using this type of building is a retrofit (renovation process) that can improve the facilities to current needs.

As previously mentioned, SC buildings are made up of units that are smaller than 100 sqm. This type of building is generally used by freelance professionals such as doctors and small legal and accounting firms, and therefore are not the focus of the data analysis in this guide.

BUILDING CLASSIFICATION

Main Characteristics	A+	A	B
Average Leasable Floor Area (sqm)	1,600	1,100	750
Average Unit Leasable Area (sqm)	800	700	300
Average Building Leasable Area (sqm)	28,000	12,000	7,100
Average of Floors	19	12	12
Floor	Raised	Raised	Floor Channel /Raised
Building Management System	Complete	Partial	Optional
Parking Ratio per Square Meter of Leasable Area	1 parking space/32 sqm	1 parking space/35 sqm	1 parking space/44 sqm

Source: Colliers International

In order to have a better idea and a comparison of Brazil and other countries it is important to analyse the information below:

RANKING OF 20 HIGHEST NET LEASE PRICES WORLDWIDE

Position	Market	USD/SQM/MONTH
1	Hong Kong	145.02
2	London West End	116.18
3	Paris	74.63
4	Moscow	71.28
5	London City	68.30
6	Rio de Janeiro	66.26
7	Beijing	61.01
8	Stockholm	59.70
9	Singapore	57.84
10	Perth	56.21
11	Geneva	54.60
12	São Paulo	51.80
13	Sydney	50.94
14	Oslo	49.54
15	Brisbane	48.19
16	Milan	45.87
17	Minsk	44.30
18	Zurich	44.23
19	Saint Petersburg	41.79
20	Frankfurt	41.62

Preparation: Colliers International.

The following is a market overview of the country's two main office submarkets – São Paulo and Rio de Janeiro

– and the main stages for a successful office lease or acquisition in Brazil will be indicated.

02.

THE CORPORATE OFFICE MARKET IN SÃO PAULO



Source: Colliers International

The office corporate market of São Paulo is the largest and the most important in the country. The city concentrates companies from the most diverse businesses, but particularly those related to the technology and financial business.

About 60% of the city's GDP comes from commerce and services. São Paulo also presents some industries that are currently installed in outlying areas, being the trend the decrease of these concentrations due to the development of the logistics market along the highways. The total inventory of the city, including buildings of all classes in all submarkets, is around 11.5 million square meters, of which 35% of total refers to the classes A+, A and B within the mainly areas of São Paulo.

The corporate real estate market is cyclical, and one of its main drivers is the national GDP. When the GDP is strong and rising, the companies grow, in a recession the situation is reversed: projects are postponed or even canceled. On the supply side, one of the market's characteristics is a slow reaction to the periods of the cycle, because the development time for a project is very long and they often enter in the market at the same time. Generally a short amount of time is spent in a period that is considered balanced (between 8% to 12% availability). Thus, periods with high supply or "drought" lead to different commercial characteristics for developers and tenants.

CHANGE OF DIRECTION

In 2012, both São Paulo and Rio de Janeiro corporate markets moved into the oversupply stage (unbalance between demand and supply). This period should last two to three years and its main points will be the migrations or consolidations of operations with facilitated commercial conditions. In 2014 and especially 2015 the situation will

be aggravated since all of the buildings that are currently under construction will enter in the market, intensifying the scenario.

On the developer's side, 2014 could be a year of opportunities for starting new projects, since those who have started the construction process this year will enter in the market at a time in the cycle where there will be few deliveries and the availability rate will decrease again.

São Paulo Corporate Market Cycle

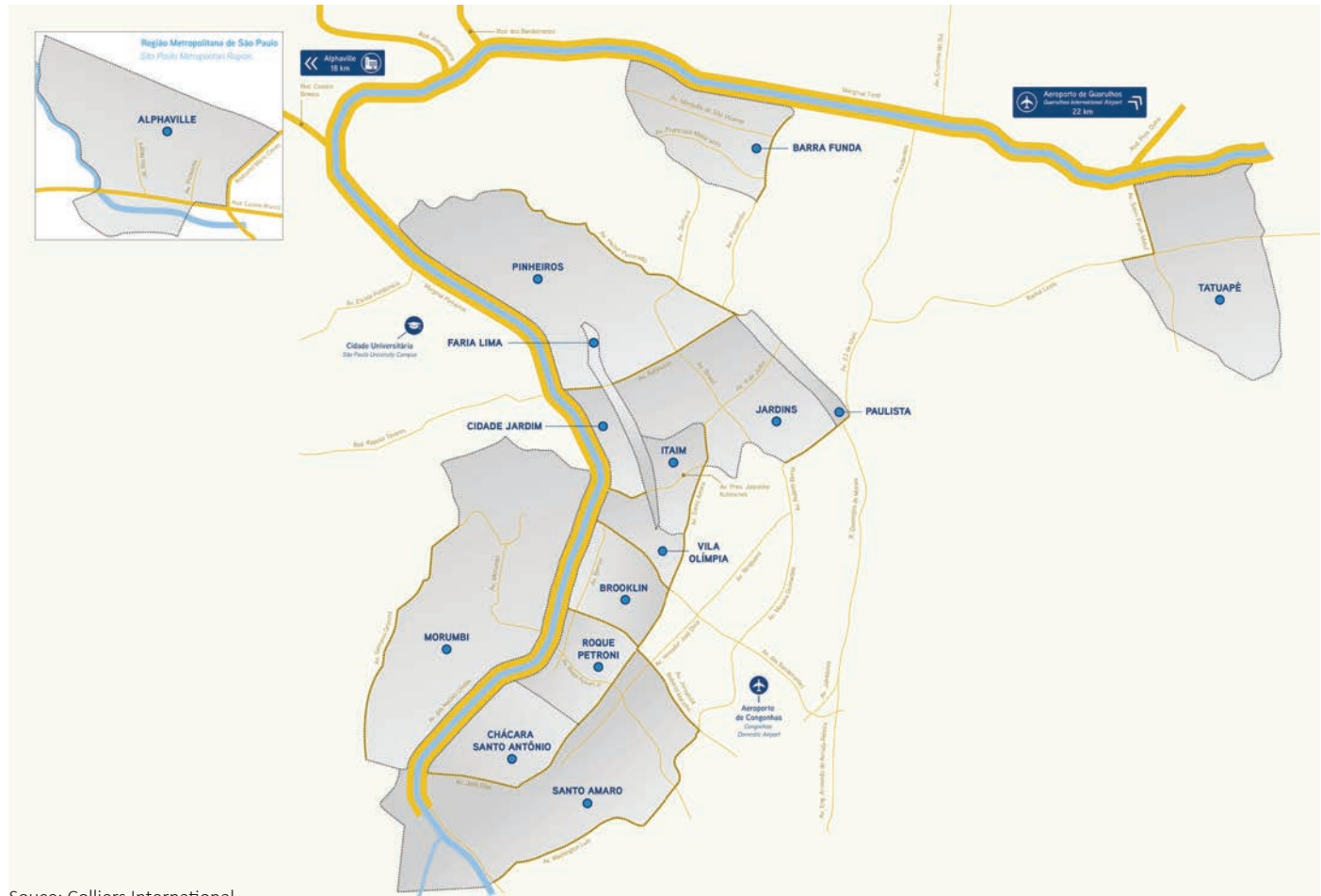


DESCRIPTION OF CBD (CENTRAL BUSINESS DISTRICTS) SUBMARKETS

The composition of the submarkets, along with the construction characteristics of each one are in constant

evolution, given the trend of decentralization of the main commercial regions in the city. Below is an overview of each of the city of São Paulo's main submarkets:

São Paulo Submarkets Map



Source: Colliers International.

PAULISTA

In the 1970s, the Paulista Avenue was occupied almost entirely by banks and law firms, due to the necessity of being near to downtown for business purposes. The submarket was once the main business center of the city, but today it has an old inventory compared to other places such as Vila Olímpia and Roque Petroni. Currently, the potential for the development of renovation

projects is one of the options to leverage the submarket that has few A+ and A developments. Just the properties located at Paulista Avenue corridor are considered part of Paulista submarket.

- Class C inventory is predominant;
- Downtown proximity;
- Abundant mass transportation system;

- Variety and plurality of commerce and services;
- Low supply of parking lots;
- Post card of São Paulo city.

Some Tenants: Banco Alfa; Banco do Brasil; Banco Safra; Banco Sumidouro; Caixa Econômica Federal; Citibank; Copersucar; Duratex; NEC; Petrobras.

Main access routes: Rua da Consolação; Rua Domingos de Moraes; Rua Brigadeiro Luiz Antônio; Rua Vergueiro; Av. Rebouças; Av. Dr. Arnaldo; Av. Nove de Julho.

JARDINS

The Jardins region borders the Pinheiros, Itaim and Paulista neighborhoods. It mixes residential buildings and older commercial ones. Due to the difficulty of acquiring new land, one of the options for developing in this location is renovating. Some companies choose this location for its proximity to other important submarkets and because it offers more advantageous commercial conditions.

- Class C and B inventory are predominant;
- Border with important submarkets;
- Residential and office profile;
- Low supply of parking lots;
- Lower price compared to Paulista;
- Oscar Freire street – The luxury retail corridor of São Paulo.

Some Tenants: Grupo Pão de Açúcar; Pirelli S.A.; Black & Decker; Grupo CCE; Tokio Marine Seguradora S.A.; Banco Alfa Investimentos; Bradesco; Qualicorp; Ibope; Yakult.

Main access routes: Avenida Brasil; Avenida Paulista; Avenida Nove de Julho; Avenida Rebouças; Avenida Brigadeiro Luis Antônio.

FARIA LIMA

The prime financial corridor of São Paulo is also one of the city's main hubs. Due to its strategic location and visibility, large multinational companies and investment banks prefer to be in this region despite the higher lease prices. This submarket has also the most expensive parking prices in the entire city.

- Emblematic buildings;
- Easy access to all areas of the city;
- Concentration of A+ and A, but still has a good number of old buildings;
- Business landmark of São Paulo;
- Investments in road infrastructure and public transportation;
- Highest lease prices per square meter in the city;
- Corporate visibility;
- Area with heavy traffic during rush hours.

Some Tenants: CSN; BTG; Google; Banco da China; Itaú; BBA; UBS - União de Bancos Suíços; Klabin; Bic Banco; Unilever; Banco Barclays.

Main access routes: Av. Pedroso de Moraes; Av. Hélio Pellegrino; Rua Cardeal Arcoverde; Rua Teodoro Sampaio; Av. Eusébio Matoso; Av. Rebouças; Av. Cidade Jardim; Av. Juscelino Kubitschek.

ITAIM

Itaim is located between the Jardins, Vila Olímpia and Faria Lima submarkets. Most of the occupants are financial and service companies. The prices in this region are similar to those seen in the Faria Lima but also with smaller spaces as well.

- Combines characteristics of Faria Lima and Jardins regions;
- Residential developments share space with office and retail;
- Luxury retail – boutiques;
- Variety of services and restaurants;
- Access to the city's main avenues;
- Area with heavy traffic during rush hours.

Some Tenants: Banco BNP; Banco Fibra; Credit Suisse; Cosan; Ambev; GS1; Goldman Sachs; Indústrias Votorantim; JP Morgan; Apple Computer Brasil.

Main access routes: Av. Marginal Pinheiros; Av. Cidade Jardim; Av. Nove de Julho; Av. São Gabriel; Av. Santo Amaro; Av. Roque Petroni Jr.; Av. Brigadeiro Faria Lima.

VILA OLÍMPIA

A few years ago this submarket was strictly residential. In the 1990s, it received investments from the government

for infrastructure improvements. As a result, the region has received several corporate real estate developments and has become an important business center in São Paulo. Currently, there is a mixed profile occupation in the area that includes small, medium and large sized companies.

- Concentration of technology and service companies;
- Narrow streets cause runoff problems during rush hours;
- Lower lease prices comparing to Itaim and Faria Lima;
- Variety of services and restaurants.

Some Tenants: Bain & Company; AIG; Comgás; Grupo EDP Energia; Alpargatas; Kimberly Clark; Motorola; Oi Telemar; Santander; T-Systems.

Main access routes: Avenida Faria Lima; Av. Juscelino Kubitschek; Avenida Engenheiro Luís Carlos Berrini; Avenida dos Bandeirantes; Marginal Pinheiros.

CIDADE JARDIM

The Cidade Jardim region is new in terms of corporate buildings, since the composing areas were previously in the Marginal Pinheiros and Itaim regions. It is located between the end of Eusébio Matoso, Faria Lima and Juscelino Kubitschek Avenues. The few corporate buildings share space with luxury residential buildings. The types of companies present are similar to those in the Itaim and Faria Lima submarkets.

Some Tenants: Ernst & Young; Pinheiro Neto Advogados; Banco Patria; Banif; Unigel; BRF - Brasil Foods; Banco

ABC Brasil; Mitsubishi Motors; Omint; Braskem S.A.

Main access routes: Rua Engenheiro Oscar Americano; Marginal Pinheiros.

PINHEIROS

This submarket was once a residential area and now it is establishing itself in the corporate market thanks to the saturation in submarkets such as Itaim, Faria Lima and Vila Olímpia. Its main high standard buildings are located in Nações Unidas Avenue. In the center of the neighborhood there are various types of commercial buildings.

- Modern buildings with good cost-effective lease;
- Emblematic buildings;
- Presence of mixed use developments and office parks;
- Heavy traffic at rush hours;
- Public transportation by bus and rail.

Some Tenants: Accor Hotels; Allianz; Braskem S.A.; British Telecom; Levis; Gerdau; Editora Abril S.A.

Main access routes: Marginal Pinheiros; Av. Faria Lima; Av. Pedroso de Moraes; Av. Rebouças.

BROOKLIN

The region is used to be called Berrini and it was established with commercial buildings which were developed by the Bratke family years ago. In the 1980s, this region was a cheaper option when compared to Paulista, and over the

years, it has become an important business center for the city. The region received several upscale projects to become part of the Faria Lima/Vila Olímpia hub extension and it is near the train stations along Marginal Pinheiros (Av. das Nações Unidas). Currently the area is occupied by service companies and large media and technology companies.

- Majority of class B buildings;
- Investments in road infrastructure and public transportation;
- Good service and commerce infrastructure;
- Easy access to Congonhas Airport (important airport for domestic flights);
- Heavy traffic on the main avenue (Engenheiro Luís Carlos Berrini Avenue) during rush hours.

Some Tenants: Zurich Seguros; Mapfre; Orange; Galderma; Microsoft; Kraft Foods; Liberty Seguros; Covidien; VIVO; ZTE.

Main access routes: Marginal Pinheiros (Av. das Nações Unidas); Avenida dos Bandeirantes; Rua Funchal; Avenida Doutor Chucri Zaidan; Av. Água Espraiada.

ROQUE PETRONI

Located between Engenheiro Luís Carlos Berrini Avenue and Marginal Pinheiros, the Roque Petroni submarket is a corporate market under expansion in the city of São Paulo. In upcoming years, it is expected that most of the market's future absorption will take place in this location, as already occurred in 2013, due to several projects in development and investments in urbanization and infrastructure.

- Investments in road infrastructure and public transportation;
- Modern buildings with cost-effective leases;
- Easy access to Marginal Pinheiros and Congonhas Airport;
- Large buildings.

Some Tenants: Cargill; Dow Química; Globo; Intel; LG; Nestle; SAP; Oracle; P&G; Samsung.

Main access routes: Marginal Pinheiros; Av. Engenheiro Luís Carlos Berrini; Av. Santo Amaro; Av. Vereador José Diniz; Av. Professor Vicente Rao.

CHÁCARA SANTO ANTÔNIO

This region has been home to several industries, which over time have given way to low-rise commercial buildings because of zoning restrictions. Currently, several companies from the pharmaceutical and technology sectors occupy entire buildings.

- Low supply of classes A+ and A (buildings with single-user occupancy profile);
- Leasing prices below market average;
- Insufficient supply of trade and services;
- Far from the main commercial centers of the city.

Some Tenants: Avaya; Bristol Myers; Deloitte; Holcim; Bmatech; Becton; Dickinson and Co.; Pfizer; Huawei; McKinsey; Accenture.

Main access routes: Marginal Pinheiros; Av. Santo Amaro; Av. Vereador José Diniz; Av. Roque Petroni Jr.; Av. João Dias.

SANTO AMARO

Santo Amaro borders Chácara Santo Antônio and has a concentration of single user buildings, office parks and some industrial companies. There is also a very important commercial square called Largo Treze de Maio, and it is near the Guarapiranga Dam and its yacht clubs.

- Single user buildings;
- Lower lease prices compared to others;
- Presence of mixed use developments and office parks;
- Heavy traffic at rush hours;
- Public transportation by bus and rail (subway under construction).

Some Tenants: PSA Peugeot Citroën; Syngenta; Clariant; Bunge; Rhodia; Caixa Econômica Federal; Sodexo do Brasil Comercial Ltda.; Brasil Telecom; Schneider Electric; Fedex.

Main access routes: Av. Santo Amaro; Av. João Dias; Av. Vereador José Diniz; Av. Washington Luís; Marginal Pinheiros.

MORUMBI

The Morumbi submarket is mostly residential. The commercial inventory includes part of what was

previously considered Marginal Pinheiros near the Cidade Jardim Mall. Near Giovanni Gronchi Avenue, there are commercial buildings that aim to meet local demands. The main points of interest include the Morumbi Soccer Stadium and Bandeirantes Palace, the official residence of the Governor and the headquarters of the São Paulo state government.

Some Tenants: General Electric; Sanofi Aventis; BMW; Hypermarcas; Daiichi Sankyo; Habib's; Motorola Solutions; SulAmérica Seguros Saúde; Tim.

Main access routes: Av. João Dias; Av. Morumbi; Av. Giovanni Gronchi; Av. Professor Francisco Morato.

BARRA FUNDA

This region is located on the city's west side, and has a small inventory compared to the others. The government is introducing a development plan in the region (Operação Urbana Água Branca) and the real estate market should increase in upcoming years.

- Region with growth potential due to the requalification/infrastructure investments;
- Far from the main business centers of the city;
- Excellent public transportation hub.

Some Tenants: Tyco; Sitel; PricewaterhouseCoopers; Valor Econômico; IBM Brasil Ltda; Prodam; Credicard; Dafiti; Porto Seguro; Novo Nordisk Farmacêutica Brasil Ltda.

Main access routes: Av. São João; Av. Sumaré; Av. Pacaembú; Marginal Tietê; Av. Pompéia.

TATUAPÉ

Located in the eastern zone of the city of São Paulo, this region has an excellent transportation infrastructure, and has an important A+ and A class projects that are under development and will be delivered in the medium term. One of the reasons for the expansion of this region is the availability of onerous grants (the right to build), which are not available in the main submarkets of the city. There is also the possibility of creating new lands.

Main access routes: Av. Radial Leste; Av. Salim Farah Maluf; Av. Alcântara Machado; Av. do Estado.

ALPHAVILLE

Alphaville is located 18 miles from the downtown area of São Paulo and belongs to the municipality of Barueri. In the 1980s the area was strictly residential and an option for those who wanted to escape from the complicated lifestyle in the city. Along with the population growth, the region began to demand services and the first commercial buildings arose. It is currently the region with the largest number of square meters available on the market.

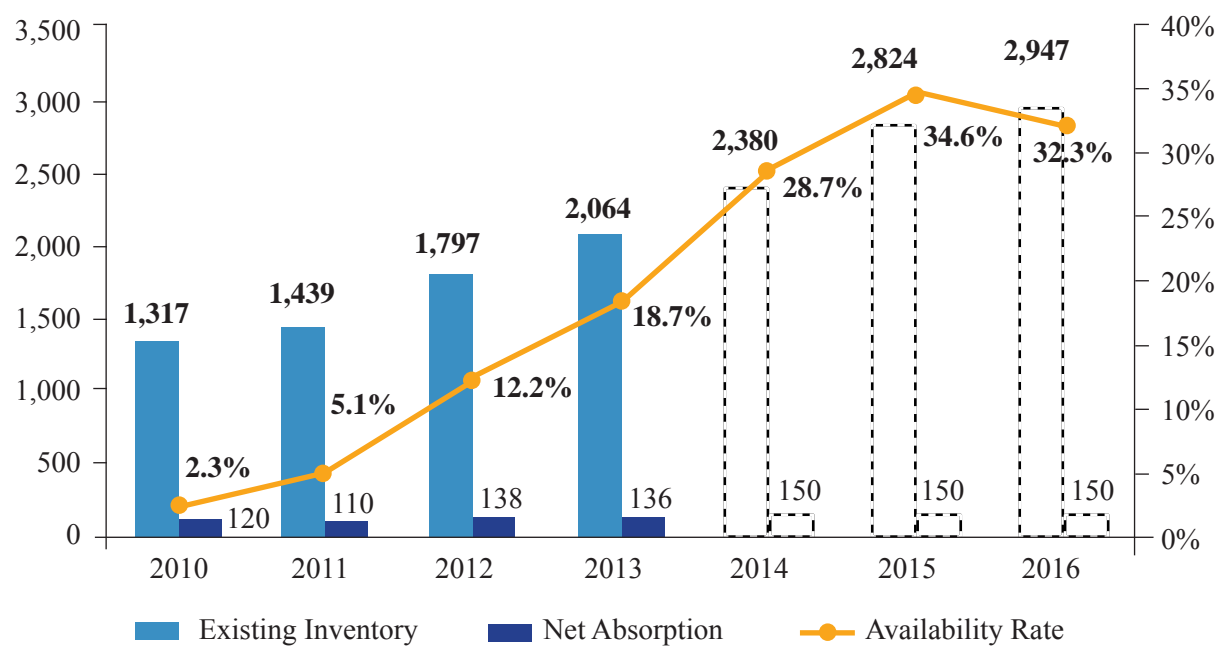
Some Tenants: Rede; Eletropaulo; Amil; Phillips; Cielo; C&A; Walmart; Adidas; HP; Natura.

Main access routes: Rodovia Castelo Branco.

MARKET STATISTICS

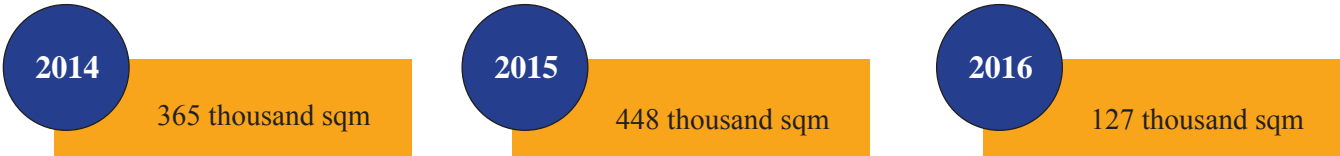
At the end of 2013, there were 2 million square meters of space in the A+ and A classes in the city of São Paulo, of which 270,000 sqm were new spaces delivered in the year.

Inventory X Net Absorption X Availability Rate of Classes A+ and A



Source: Colliers International.

Estimated To Be Delivered*

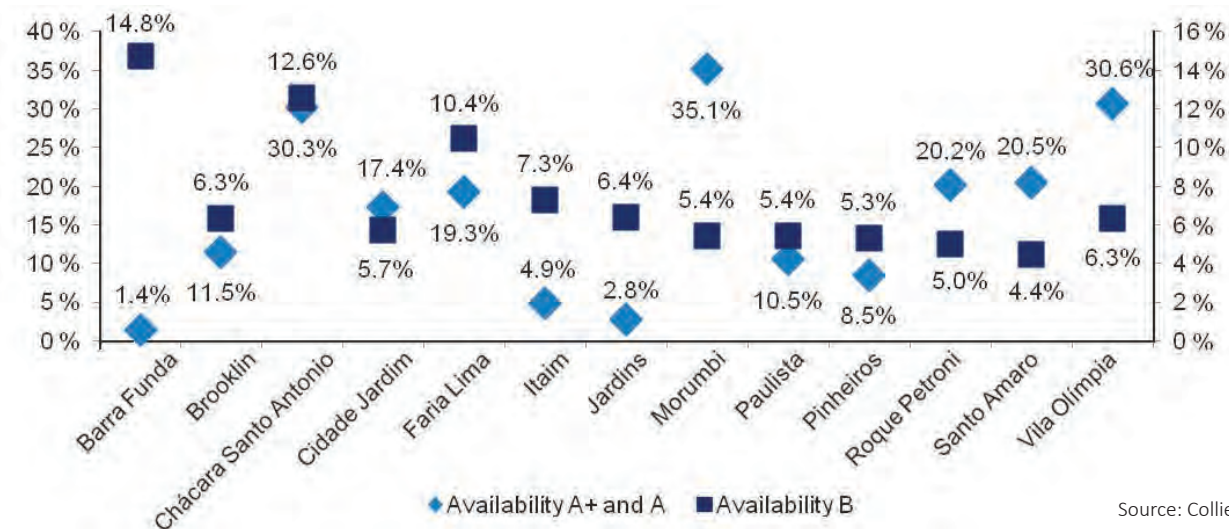


* According to developers schedule. Projections made on December, 2013.

The calculated availability rate considering the classes A+ and A was 18.7%, and 6.9% for class B, generating an average of 13.1% for the market.

The A+ buildings ended 2013 with a 27.7% availability rate, massively contributing to increase the market rates. It is important to note that this class has the highest annual net absorption.

Availability Rate by Class and Submarket

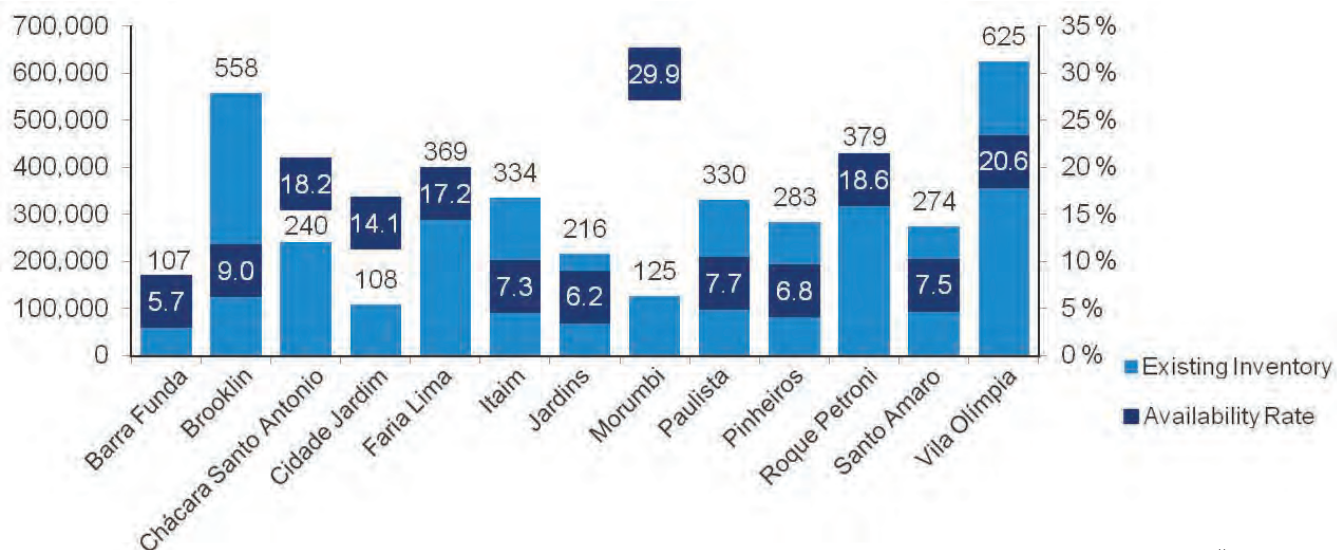


Source: Colliers International.

The Vila Olímpia region ended the year with the largest quantity of square meters available, which was intensified in the second semester. The increased

availability rate in the Roque Petroni region is the result of new buildings' delivered.

Inventory (thousands of sqm) X Availability (%) by Submarket – A+, A and B Classes



Source: Colliers International.

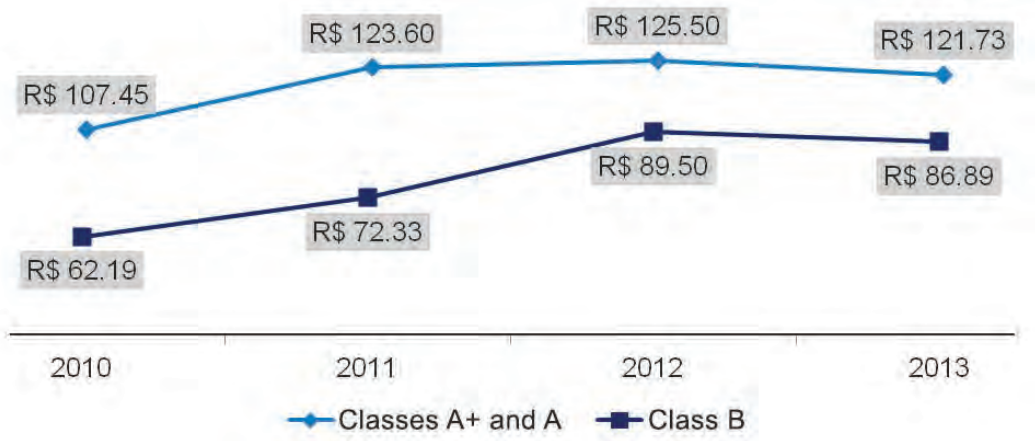
According to the trend verified in every period of the year, average lease prices presented a 2.8% decrease. It is also important to note that there are several deals being made with tiered discounts and allowances provided by the landlords.

It is important to remember that since the corporate market was affected by the global economic crisis in

2009, not a single year had ended with a decrease in the prices being charged.

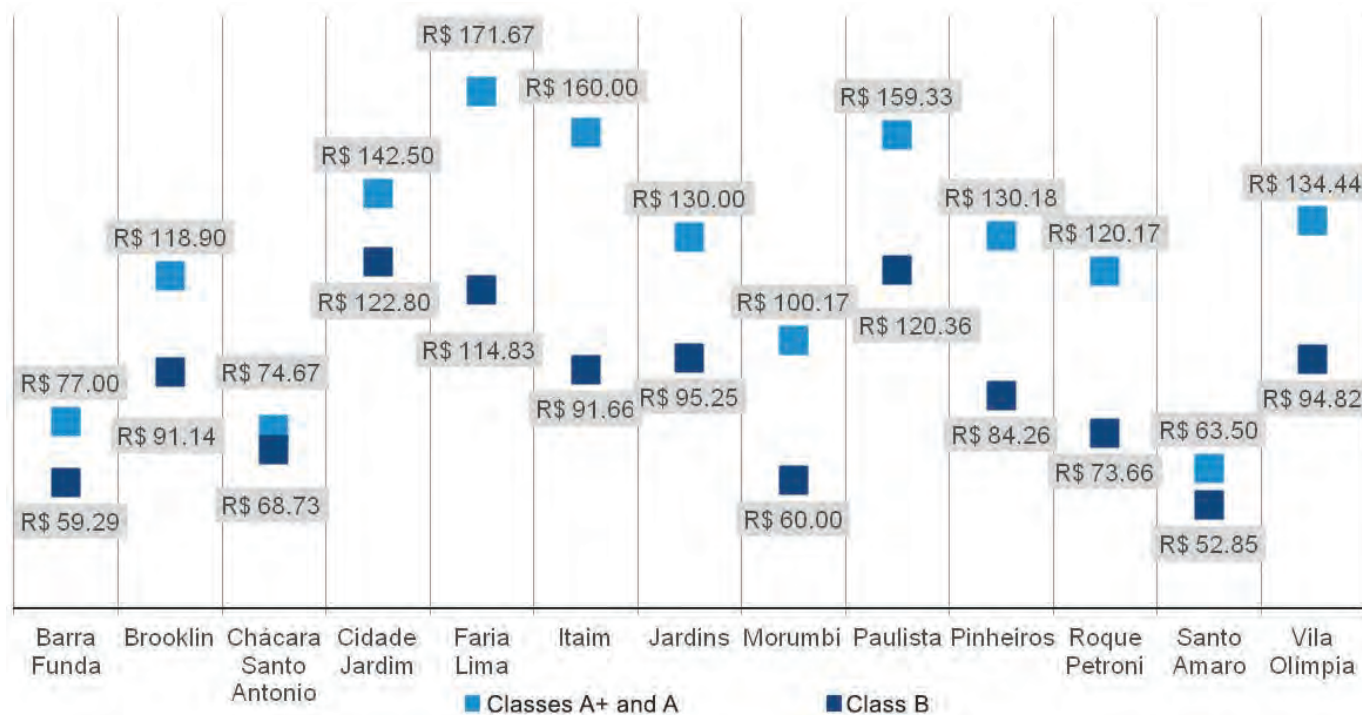
For the next two years, even if there is no significant decrease in prices, trends show that some discounts will be applied to lease contracts, making the contract face value higher than the current price.

Average Lease Prices by Class and Year



Source: Colliers International.

Average Lease Prices by Class and Submarket



Source: Colliers International.

PARKING PRICES IN 2013

The large disparity between supply and demand makes parking in São Paulo more expensive every year. This happens due to the increase in the number of cars and the decrease in the number of spaces used for parking lots as the real estate in the city expands. Basically, 80% of the spaces that were parking lots are now used for real estate ventures. Another factor that leads to the abusive prices is the lack of infrastructure and public transportation.

Driven by the high prices in submarkets such as Vila Olímpia, Itaim and Brooklin, the monthly rates in the city's parking lots increased 11.41% in comparison to 2012, with a 15.38% increase for the first hour parking. The average monthly price for parking lots in central parts of the city of São Paulo was R\$ 298 in 2012. This year, it rose to R\$ 332. For hourly parking (the first hour), the average went from R\$ 13 to R\$ 15. The daily rates had the smallest increases, which were calculated at R\$ 36.50 – 7.35% higher than 2012. However, all of the categories had inflation higher than the official rate (IPCA) for that period (July 2012 to July 2013), which was 6.27%.

Average Daily Rates from 2011 to 2013 in São Paulo

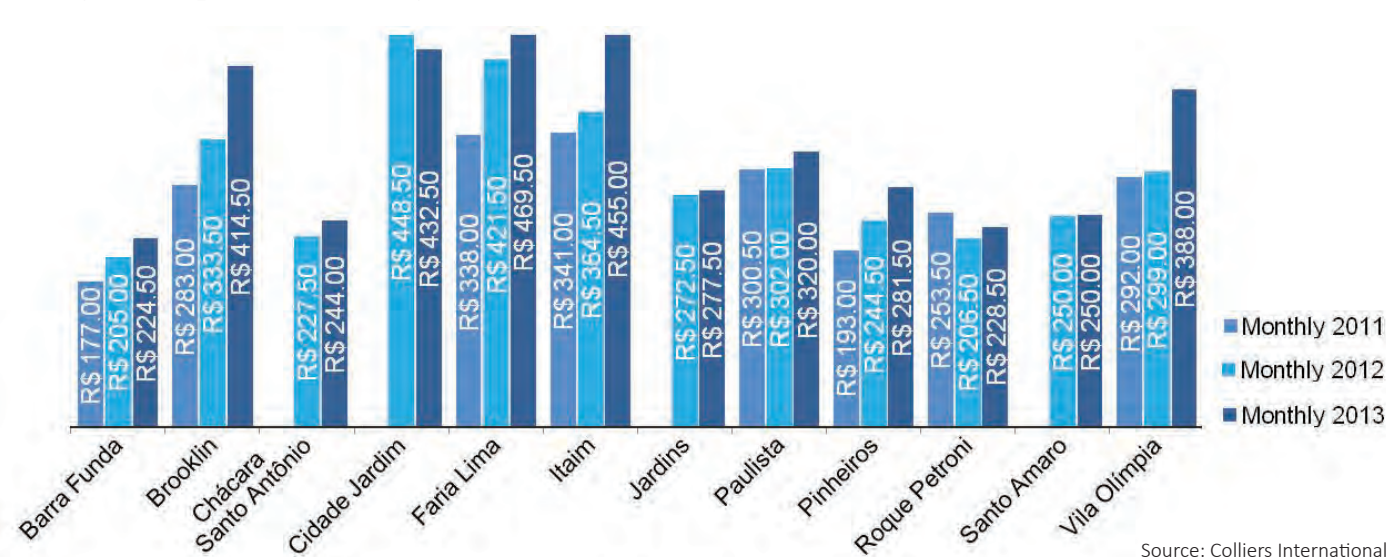


Average Monthly Rates from 2011 to 2013 in São Paulo



Source: Colliers International.

Average Prices per São Paulo Region



Source: Colliers International.

The parking lots with the highest prices are located in the southern region of São Paulo. The Faria Lima submarket has the highest monthly rate, with an average of R\$ 469.50 – higher than in cities such as Atlanta (R\$ 220.80) and Columbia (R\$ 149.50) in the United States and Berlin (R\$ 195.50) in Germany. The price for leaving your car near the main street is approximately R\$ 16.

The submarket with the highest increase in monthly rates was Vila Olímpia, with a 29.77% growth, followed by Itaim, with 24.83%. Itaim leads with the highest daily rate, a 37.80% increase that is over six times the official inflation rate for that period.

The Paulista submarket had also an increase, although lower in comparison with other locations of the city, a 1.54% increase in daily rates, an average of R\$ 32, which is explained by the fact that Paulista submarket has the best public transportation.

EXPANSION OF PUBLIC TRANSPORTATION – SÃO PAULO

With the idea of bringing residences closer to commercial centers, public transportation corridors and urban planning are increasingly the drivers for developing the real estate market in the capital of São Paulo.

The new Strategic Master Plan (PDE) for the municipality was approved by the legislative branch, and it focuses on consolidating real estate developments around public transportation routes, such as train and subway lines and bus routes. These guidelines will take real estate developments to every part of the city of São Paulo. One of the boldest goals in the plan is to replicate the successful urban operations implemented in the southern district of São Paulo (Avenida Águas Espraiadas and Faria Lima) in the Northern and Eastern parts of the city, creating an arch of large avenues for the corporate market, reducing the disparity of opportunities in the city and the intense daily traffic of commutes from neighborhoods that are further away to the concentration of corporate centers in an enormous city (twice the size of New York).

The São Paulo subway system is making an effort to expand its network through working on four different fronts simultaneously. The first is extending Line 5-Lilac, connecting Largo Treze Station in Santo Amaro to

Chácara Klabin Station (Line 2-Green). The expansion of this line to 12 miles and 17 stations will provide daily service to 770,000 passengers, and will completely change urban transportation in the Southern region of São Paulo, enhancing the Santo Amaro region, which is considered one of the main areas for expansion in the city. It's being also built the Line 15-Silver that will be served by a monorail, and will connect Ipiranga and Cidade Tiradentes. When this project is concluded, there will be 18 stations, 16 miles of elevated railways and an estimated 500,000 users per day.

The first phase of the monorail (line 17-Gold) will be 4 miles long, making the strategic connection between Congonhas Airport and Morumbi Station on Line 9-Emerald of CPTM (in Chácara Santo Antônio) and will be used by close to 100,000 passengers per day. This is considered the most important subway expansion for the corporate market, since it will link the Morumbi, Chácara Santo Antônio and Roque Petroni submarkets to Congonhas Airport, which will be a strategic route for executives who are flying for meetings and need to optimize their time.

The fourth large project currently being undertaken by the São Paulo Subway is the second phase of Line 4-Yellow, which will be 7 miles of tracks and 11 stations, benefiting nearly 1 million users every single day. There will be five more stations: Higienópolis-Mackenzie, Oscar Freire, Fradique Coutinho, São Paulo-Morumbi and Vila Sônia.

Metropolitan Transport Network



Source: São Paulo Metro.

THE CORPORATE OFFICE MARKET IN RIO DE JANEIRO



Source: Colliers International

The office market in Rio de Janeiro has an important role nationally. It is the 2nd largest corporate real estate market in the country.

It is home to the two largest Brazilian companies, Petrobras and Vale, and also home of the major petroleum and telephone companies in Brazil, as well as the largest conglomerate of media companies in Latin America, Organizações Globo. Rio de Janeiro is also home to a large number of universities and institutes; it is the largest research and development hub in Brazil, responsible for 19% of national scientific production.

The inventory available in the state is influenced by the oil and gas chain which is an important part of the demand in this market.

Almost 70% of the city's GDP comes from commerce and services, and like São Paulo, the city is conducive to high level corporate developments. The market in Rio de Janeiro presents unique characteristics due to its geographical limitations, which have led to intense development in the downtown region. Renovating is quite common in this city that has sold out the land for development in the South Zone, creating opportunities in the downtown and port areas.

There are currently many investments being made in the city. Those related to transportation are usually mentioned, however, the main investment is the revitalization of the port area (Porto Maravilha Project). The city had the opportunity to host the match of the 2014 FIFA World Cup and will host the 2016 Olympic Games.

The main office submarkets are: Barra da Tijuca, Botafogo, Centro [Downtown], Flamengo and Ipanema/Leblon.

DESCRIPTION OF CBD (CENTRAL BUSINESS DISTRICTS) SUBMARKETS

Much like São Paulo, the corporate real estate market in Rio de Janeiro has specific characteristics that can be divided in the following way:

Rio de Janeiro Submarkets Map



BARRA DA TIJUCA

During the 1980s, Barra da Tijuca has developed itself from a residential market along Avenida das Américas. The region appeared as a commercial opportunity due to the lack of land and development options in the southern and downtown areas. The majority of the projects are composed by office parks with good support from several services:

- Buildings with modern infrastructure;
- Lease prices below the market average;
- Investments in road infrastructure and public transportation;
- Difficult access to the south and central zones during rush hours;
- Occupancy profile geared to meet local demand.

Some Tenants: Vale; Telefônica; CBF (Brazilian Soccer Federation); Globosat; Esso; Abengoa.

Main access routes: Avenida das Américas; Avenida Ayrton Senna (which connects Barra da Tijuca to Jacarepaguá and to Yellow Line); Avenida Lúcio Costa.

SOUTH ZONE – IPANEMA/LEBLON, COPACABANA, BOTAFOGO AND FLAMENGO

The South Zone is famous for being the main tourist attraction of the city of Rio de Janeiro. The region is valued

and recognized for its infrastructure and services. In the 1950s, the region began to attract large numbers of residents and developers, which intensified occupation throughout the region, and led to residential developments being built along the waterfront and its cross-lanes. Though the region does not have many corporate buildings, since it is near downtown it has become a good option for companies that want to be in a prime and quiet location, regardless of high monthly lease prices.

Main access routes: Avenida Atlântica; Avenida Nossa Senhora de Copacabana; Avenida Princesa Isabel; Avenida Prado Junior; Avenida Rainha Elizabeth da Bélgica.

Leblon/Ipanema

This submarket has specific characteristics:

- Few corporate buildings;
- Lease prices per square meter are the highest in the city;
- Occupation profile aimed at investment banks.

Some Tenants: Companies from the financial sector in general.

Copacabana

This characteristics of this submarket are basically:

- 80% of the inventory is Class C;
- Commerce and services infrastructure.

Some Tenants: HRT; Devon Energy; Canadian Consulate; Toyota; Copa Airlines.

Botafogo and Flamengo

The main characteristics of this submarket are:

- Large concentration of corporate buildings;
- Most developments are located on the waterfront, and are occupied by large companies and consulates;
- Lack of available land;
- Insufficient parking spots.

Some Tenants: Coca-Cola; Intelig; HP; Chinese Consulate; British Consulate; McKinsey & Company; BP - Oil and Gas.

CENTRO [DOWNTOWN]

Downtown is the financial heart of Rio de Janeiro. Buildings from the Imperial age and modern skyscrapers now serve as corporate offices. Since the mid-twentieth century, the downtown area has been undergoing a process of revitalization. Still, it is the submarket with highest

demand from national and multinational companies, especially those related to the oil and gas industry.

- Great service infrastructure;
- Excellent public transportation (subway, train and bus);
- Potential for renovation;
- Majority are class C buildings;
- Low supply of parking lots and higher prices for daily and monthly rates;
- Submarket with heavy traffic during rush hours.

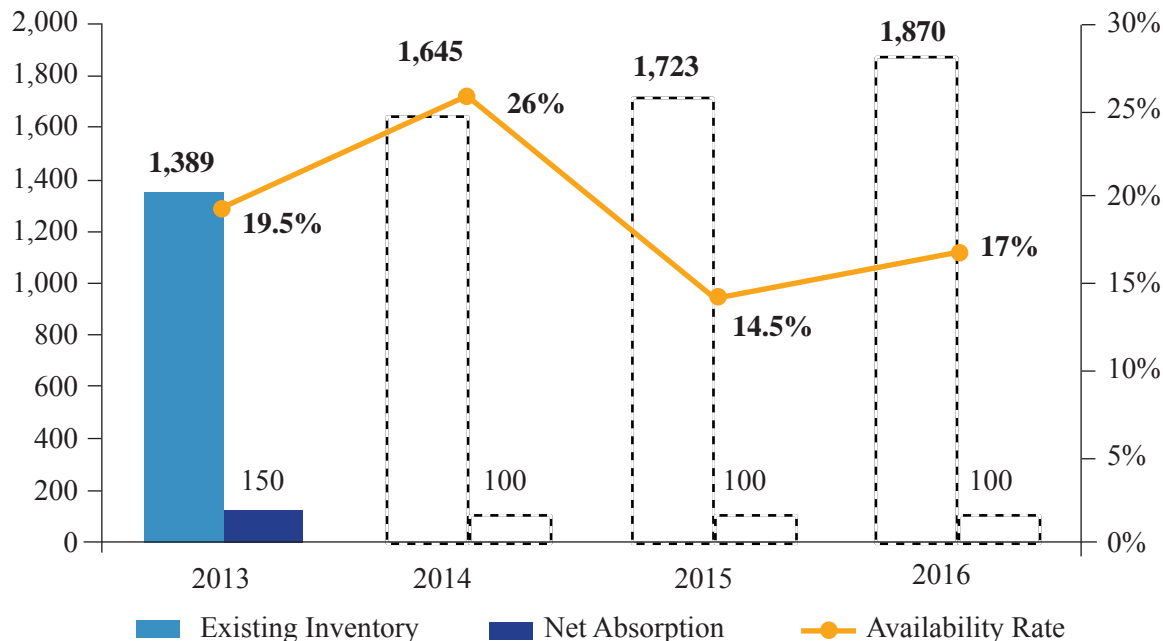
Some Tenants: BNDES; Petrobrás; Vale do Rio Doce.

Main access routes: Av. Rio Branco; Av. Rodrigues Alves; Av. Presidente Vargas.

MARKET STATISTICS

At the end of 2013, the market for office space in the city of Rio de Janeiro had 2.39 million square meters. There was a 5% increase in new inventory for the year, with 111,000 sqm of new space annually.

Inventory X Net Absorption X Availability Rate of A+ and A Classes



Source: Colliers International.

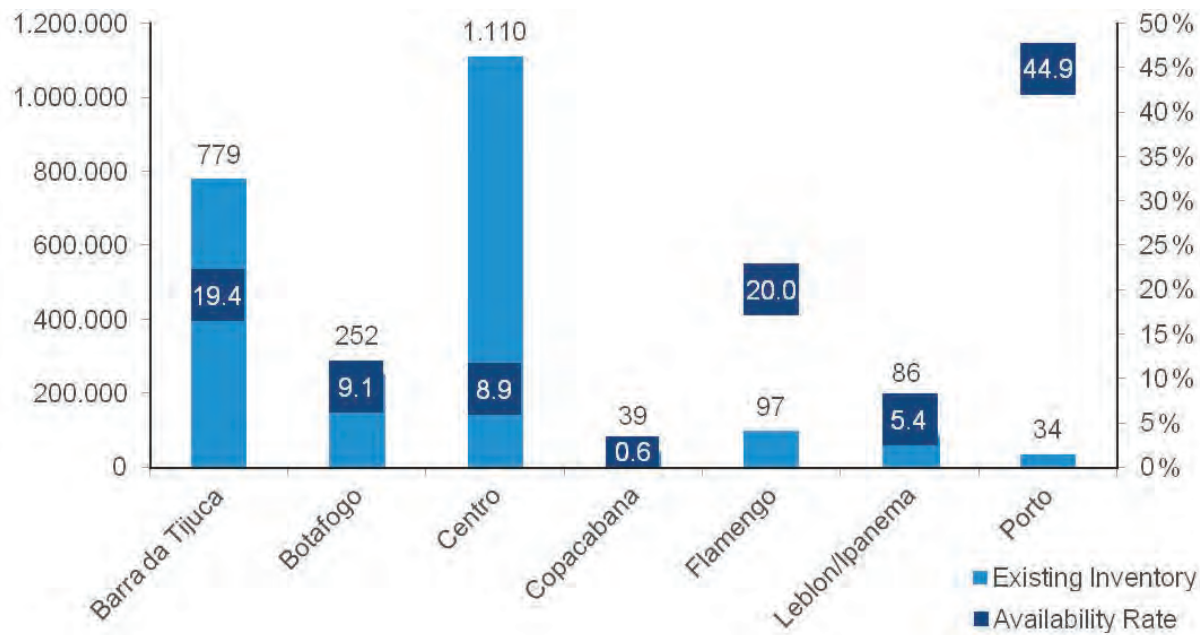
The calculated availability rate for office space in Rio de Janeiro considering classes A+ and A was 19.5% and 4% for class B, generating an average of 13% for the market.

During 2013, there was a gradual increase in the rate, with a decrease in the fourth quarter for only class A+ buildings.

The port submarket is the center of the city's growth due to the Porto Maravilha project. It continues with the highest bid per square meter due to the small existing inventory, which will remain in the upcoming quarters.

Barra da Tijuca submarket has the highest number of square meters available.

Inventory (thousands of sqm) X Availability (%) by Submarket – Classes A+, A and B

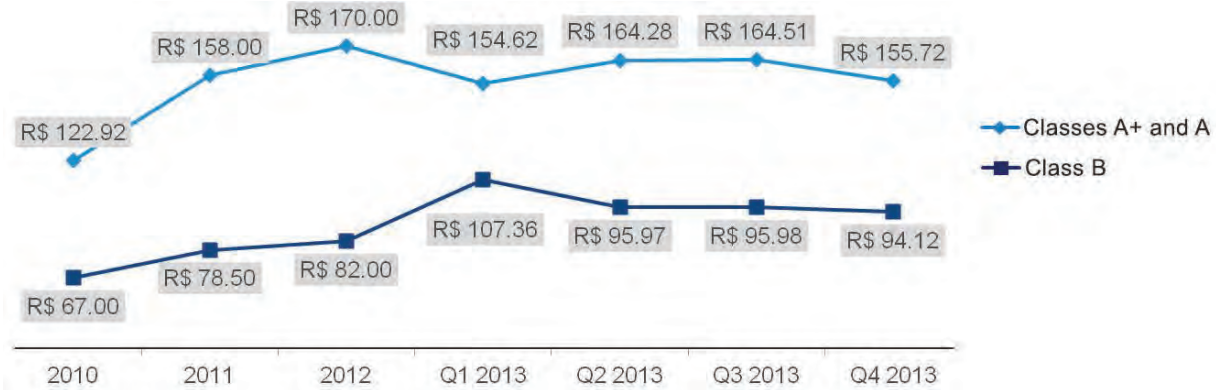


Source: Colliers International.

At the end of the fourth quarter of 2013, the Rio de Janeiro market presented a 4% decrease in the average lease price in the A+, A and B classes to R\$ 129.38 from R\$ 134.27 in the third quarter.

The decrease compared to the last quarter of 2012 is even higher. Considering only classes A+ and A, the average reached R\$ 155.72 from the R\$ 170.00 rate in 2012. The class B buildings remained stable in 2013.

Average Lease Prices per Class and Year



Source: Colliers International.

Average Lease Prices per Class and Region



PARKING PRICES IN 2013

In Rio de Janeiro, the spike in parking prices from 2012 to 2013 was higher than in São Paulo. The number of cars on the road is much higher than the number of spots available, which creates a disproportional relationship between supply and demand. The current urban design was created a long time ago, and commercial buildings, especially in downtown, do not offer parking spaces.

The average monthly parking rate increased 18.1% in one year – almost three times the official inflation rate for this period. In the Downtown area, the average monthly price is R\$ 618, that is, R\$ 145 more expensive than the city average.

Average Monthly Rates from 2011 to 2013 in Rio de Janeiro

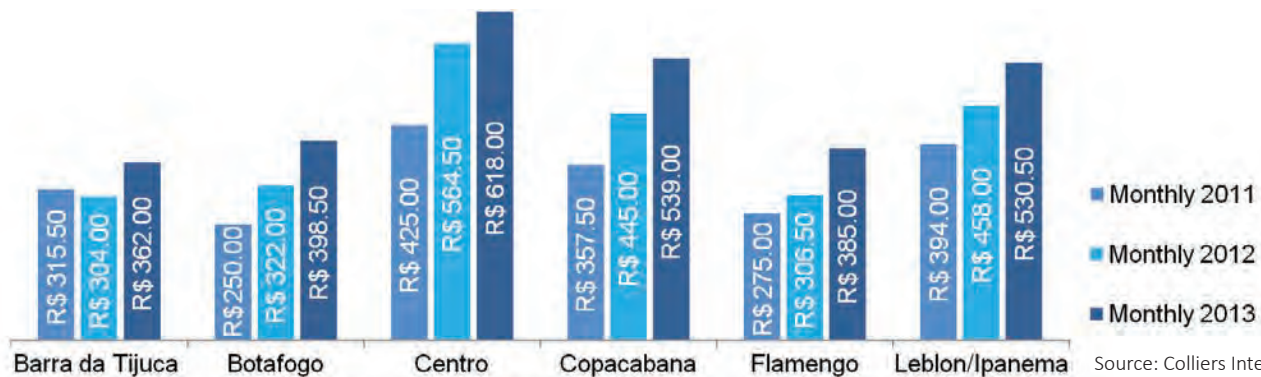


The increase in daily rates was also higher than in São Paulo, reaching 11%. The highest rates are found in Copacabana, Ipanema and Leblon, where the daily rate is approximately R\$ 70. The average hourly rate (first hour) is less than in the São Paulo capital, an average of R\$ 13.50. The Flamengo region, however, stands out for its prices that doubled from 2012 to 2013, reaching R\$ 14.

Average Daily Rates from 2011 to 2013 in Rio de Janeiro



Average Prices per Rio de Janeiro Region



Source: Colliers International.

PORTO MARAVILHA DEVELOPMENT PLAN

CITIES ARE DEVELOPING AROUND PORT AREAS

In recent decades, cities around the world have awakened to the new paradigm of sustainable development, where the new frontier is the occupation of vacant spaces.

Within this context, the reuse of old industrial and port areas is taking on new purposes for cities. The regeneration of these spaces, through the intensification and blending of their uses, can produce sustainable urban spaces that improve residents' quality of life.

A study of successful experiences worldwide lists five essential aspects for ensuring the effectiveness of projects aimed at revitalizing downtown areas in cities:

- Long-term strategic planning;
- Respect for the collective memory, heritage and pre-existing (physical/spatial and sociocultural) context;

- Collaborative processes between the groups involved, such as government agencies, investors, the business community, citizens/users and the community in general;
- A complementary mix for occupying the area, with the presence of solid "anchors";
- Focus on the power and quality of images and the adequacy of urban and environmental projects.

The new standards for occupying the port region will provide Rio de Janeiro with the experience of a vibrant city center, where modern and sustainable buildings are blended with the region's architectural heritage. Increased residential, cultural and commercial use will contribute to the city's development in an inclusive and healthy manner.

HOW WILL REAL ESTATE INVESTMENTS BE MADE IN THE REGION?

Those interested in investing in the region must purchase Cepacs (*Certificado de Potencial Adicional de Construção* – Certificate of Additional Construction Potential) from the Porto Maravilha Real Estate Investment Fund (FII),

created by the FGTS and managed by Caixa Econômica Federal, which bought the entire stock of Cepacs, thereby ensuring resources for the Urban Operation. A part of the land is being sold by Porto Maravilha FII. Another section, which is owned privately or by public entities, can be negotiated directly with its owners for the development of real estate ventures.

To create a standard in the undertakings, Complementary Law 101/2009, in addition to sustainable building standards, establishes criteria that make residential and hotel investments less expensive than those in commercial real estate. There are incentives for the recovery of buildings in APA SAGAS in order to encourage their integration within the new dynamics of the region. The real estate projects are submitted to a working group of the Municipal City Planning Department, of which Companhia de Desenvolvimento Urbano da Região do Porto do Rio de Janeiro – Cdurp [Port Region Urban Development Company] is part, along with various other municipal entities. This group examines the undertakings from a legal point of view as well as their adherence to the operation's principles.

ARE THERE ANY TAX INCENTIVES FOR INVESTORS?

In order to stimulate investment in new markets and the recovery of buildings in the region, Law 5126 provides the following tax incentives:

- Ten-year property tax (IPTU) exemption for new buildings that obtain a certificate of occupancy within 36 months;
- Exemption from ITBI (*imposto sobre transação de bens imóveis* – Tax on real estate transactions)

for real estate transactions where new buildings are erected, if they obtain the certificate of occupancy within 36 months;

- ISS (*imposto sobre serviço* – Tax on Services) exemption for construction activities for a period of 36 months;
- Reduced ISS rate, from 5% to 2%, for activities involving hotels, education and entertainment;
- Exemption from outstanding IPTU debts for properties of historical, cultural or ecological interest, provided they are restored within 36 months.

IMPORTANCE OF SUSTAINABILITY

In Rio de Janeiro new real estate properties must abide by sustainability regulations. It is important to pay attention to the topics below:

- Specific parameters for spacing and distancing;
- Use of solar heating;
- Accessibility and use of bicycles;
- Use of materials with environmental certifications;
- Decreasing water consumption and recycling rainwater and used water;
- Green and/or reflective roofs equipped with solar water heating;
- Maximization of ventilation and natural lighting.

04.

PLANNING YOUR OPERATION IN BRAZIL

Once the lease, purchase or sale of a corporate real estate property in Brazil is decided upon, it is recommended that an international level consultancy should be contracted. Specialized consultants may help from the planning to the implementation of the operation at a new address.

A professional consultancy may understand the customer's needs and prepare a plan focused on his

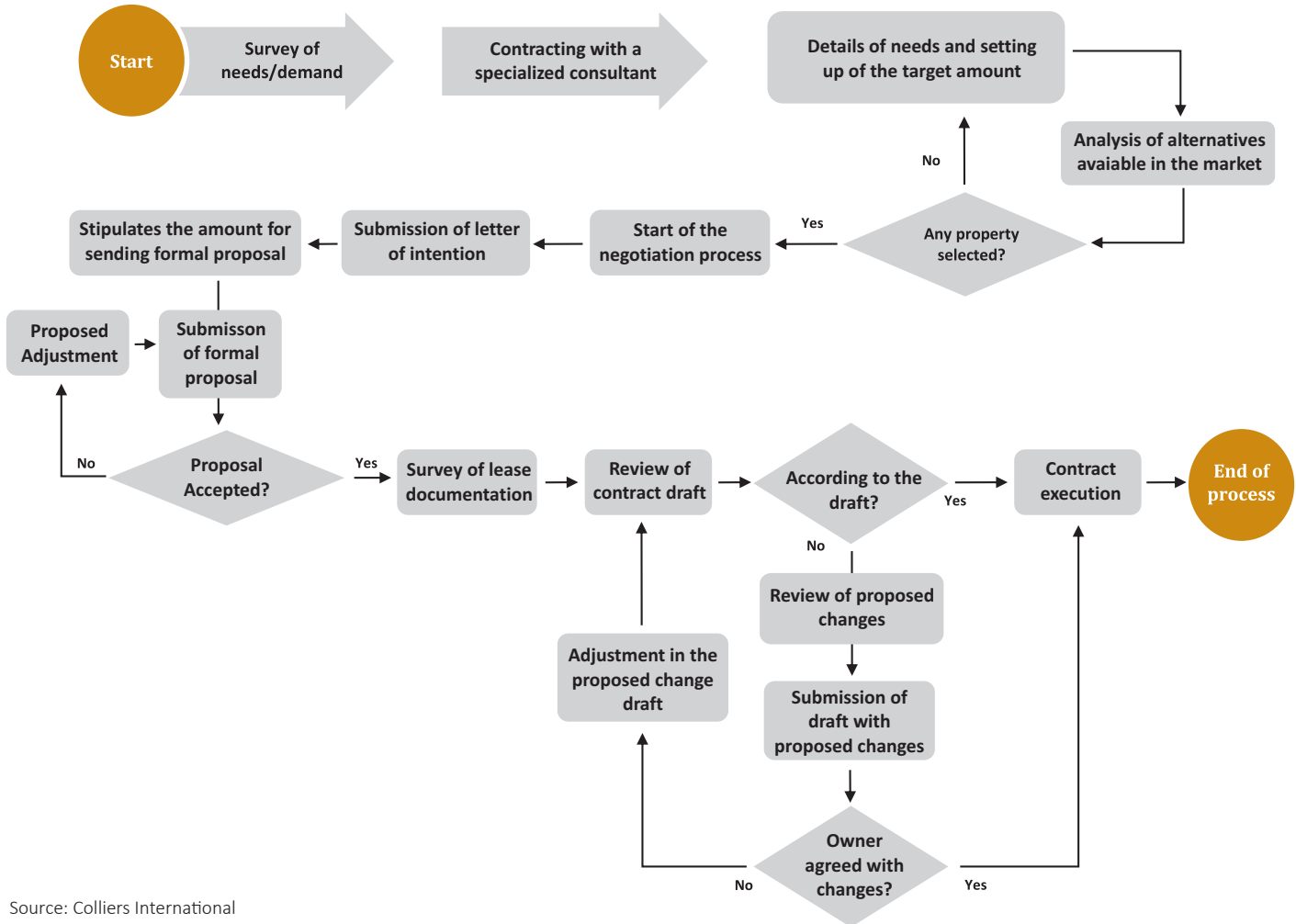
strategic planning, in addition to guiding him to local fiscal, legal, and financial issues.

It is important, as a first step, that the occupant understands what his/her actual need is: it may be the search for a corporate building or a commercial complex, for purchasing or renting.



Source: Colliers International

PROCESS OF COMMERCIAL REAL ESTATE LEASING



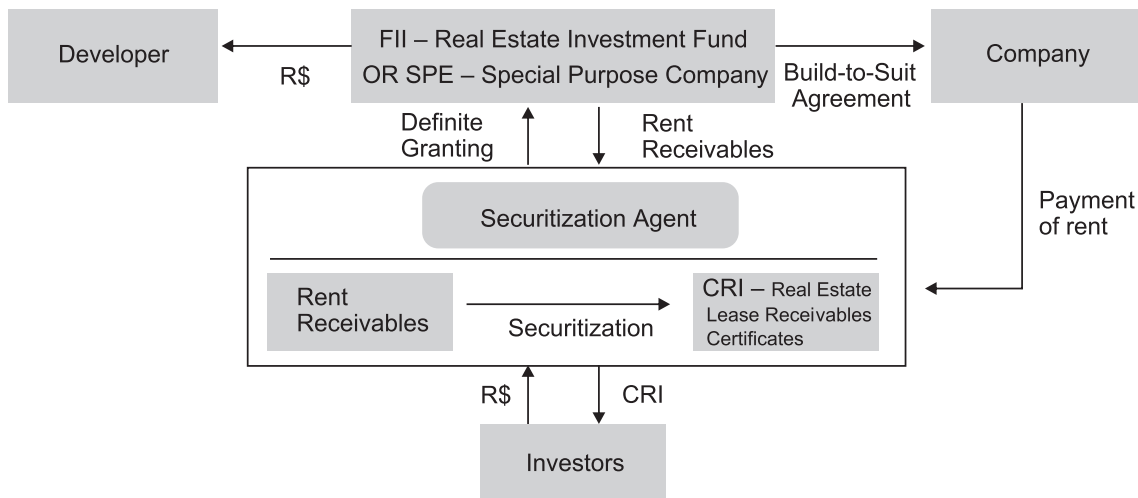
Source: Colliers International

05.

BUILT TO SUIT

This is a type of operation in which a real estate enterprise is built according to the specific needs of a future user, who will occupy it for a predetermined period (usually

10 to 15 years), thus guaranteeing the intended return to the investor.



Source: Colliers International

When selecting this type of building procedure the following points are also important:

- **Site:** analysis of the site to be bought considering the need for future expansion;
- **Management:** selection of a single point of coordination and development of a project and a possible bidding process for the selection of the investor/developer group;
- **Project:** preparation of a detailed project containing storage areas, offices, outdoor patios, technical specifications and other items;
- **Market survey:** search for the existence of ready property options in the desired region, average prices for land lease and other information on which the decision-making should be based;
- **Cost survey:** estimated budgets for financial analysis regarding the building model

(built-to-suit/acquisition and construction with own investments);

- **Technical specifications:** development of a descriptive history of the project to prevent additional unanticipated costs;
- **Feasibility analysis:** study of all variables to determine if a project will bring the return expected by the company;
- **Negotiation:** based on the presented costs, the rent negotiation phase and the delivery negotiation phase will be important;
- **Developer/Investor:** since it is a long-term contract, choosing the investors/developers' group is of major importance; topics to be checked include stability, history in the market, technical references, investment capacity and the quality of similar delivered projects;
- **Construction management:** it is recommended to hire a company to track deadlines, costs and quality of the buildings;
- **Occupation and delivery of the final product:** requiring the delivery of all executive plans and facilities, detailed descriptive histories and the terms of the warranties for all installed equipment will ensure more efficient and affordable maintenance after the user has left.

ABOUT LEASING

Typical lease term - the usual lease term is 36 to 60 months. The parties are entitled by law to request a lease value review every 3 years to adjust it to current lease

values. Commercial lease agreements with a 60-month term give the tenant the right to renew.

About renewals - the term of the lease is defined in the lease agreement. The prior notification to renew or terminate the agreement, as well as renewal option conditions are usually specified in the "TERM" clause. If the conditions are not specified in the lease agreement, the notification to renew or terminate may be as short as 30 days prior to the termination date. If the lease is not formally renewed or terminated, it is considered an automatic renewal, which may be terminated by either the landlord or tenant at any time with a 30-day prior notice. In the case of a tenant taking action, it is recommended to start the renewal negotiation or the new site search as early as possible.

Terminate option and penalty fee - by law, the tenant has the right to terminate the lease before its final date (early termination) providing the landlord with prior written notification (usually 30 days, but it is negotiable) and the payment of an early termination penalty fee. The standard termination fee is equivalent to 3-month's rent proportional to the remaining lease term, but may be higher if a specific clause is negotiated in the lease agreement. Using a 3 year lease with a 3 month early termination fee as an example, if the lease is terminated at the end of the first year, the termination penalty fee would be equivalent to 2-month's rent. If the early termination occurs at the end of the second year, the penalty fee would be equivalent to 1-month's rent.

Tenant obligations - The common practice is to return the space to the landlord in its original layout, bare shell condition, with normal wear and tear. These conditions can be negotiated by the parties.

Second-hand space with tenant improvements included - it is rare to find second hand space to lease because tenants are obligated to return their space to its

original condition. If this type of space is found, the lease must be agreed to by the landlord.

Regulations - the parties may negotiate subleasing and lending right clauses. If not expressly provided in the lease agreement, the sublease and assignment are only allowed with prior approval by the landlord. The rent paid by the sub-tenant cannot be higher or lower than the rent paid by the tenant.

Lease guarantees - most commonly the landlord asks for a bank guarantee, a letter of credit or lease insurance. A refundable deposit, usually equivalent to 3-month's rent, is sometimes accepted. A bank guarantee, a letter of credit or a lease insurance typically covers one years' costs including rent, common costs (in case of industrial/logistics parks) and taxes. It must be renewed every year. The law also allows a person to be a guarantor of a lease during its term. The guarantor is usually a property owner in the same city of the leased property.

What regulations cover holding over of the current premises? - If the tenant does not notify the landlord of its intention to renew or terminate the current lease, and remains in the property for more than 30 days without the landlord's opposition, the lease is considered automatically renewed on a monthly basis. In such event, the parties have the right to terminate the lease agreement at any time with a 30 day notice.

ABOUT SPACE

The tenant has the right to make alterations/customizations in the space, as long as it is formally authorized by the landlord and the municipality (if required). It is uncommon for the tenant to use the landlord's architect or project manager for any alterations.

ABOUT COSTS



Source: Colliers International

Rent units - R\$ / sqm / month. R\$ represents the Brazilian currency, the real. Note: In Portuguese, when a number is written, the “.” is used to separate thousands and the “,” separates the decimals. For example the number one thousand dollars and eighteen cents is written USD 1.000,18.

Definitions - “Rent” is basic rent, as defined in the lease agreement.

Condominium fees* - these fees are related to the common costs in industrial and logistics parks (condominiums) and are considered additional costs. They may vary significantly according to the type of asset and the total leasable area (condo fees are usually lower in larger parks). Monthly costs are mostly within R\$ 15.00 to R\$ 30.00 per square meter per month. As these common areas' costs are variable (water, energy, security and cleaning personnel, among others), the fees may have a small variation. The landlord can only require the tenant to pay the ordinary condo expenses.

Taxes* - City taxes are approximately R\$ 5.00 – R\$ 9.00 sqm/month.

Parking* - The prices vary from R\$ 200/stall/month to

*Amounts referring to 2012

R\$ 650/stall/month. Parking rates can increase at any time depending on demand.

Additional charges - additional charges include electricity, telephone, janitorial, interior gardening, maintenance for extra air conditioning units (split-system for the server/IT equipment room), carpet cleaning, and after hours costs for air conditioning.

Adjustments - Rent is adjusted annually according to one of the following indexes:

- IGPM is based on the general market prices for items, including, but not limited to, the dollar, foodstuffs, and clothes.
- IPCA is based on the prices for the consumer, for example, service providers, commercial stores, and public services.

Both indexes are based on the inflation and either can be used to determine the annual lease increase in the lease. Today, the most commonly used is the IGPM. In addition to the annual adjustment all leases have a rent review, by law, in their third year. The rent must be negotiated to reflect market prices.

Payment - Rent is paid monthly in local currency (Real).

Concessions/allowances - always subject to negotiation; the landlord may offer free rent periods as an incentive, which depends on market conditions. Leasehold improvement allowances are not a common practice and it is uncommon for the tenant to use the landlord's architect or project manager for any leasehold improvements.

Costs - the tenant is responsible for all costs until the property is returned to its original condition (unless agreed otherwise) and with the acceptance of the property by the landlord.

Deposits are not standard in the market, but if the landlord accepts this type of guarantee, the common practice is the amount equivalent to 3-months' rent, which is either returned after lease expiration or used to cover the last 3 months' lease.

ABOUT FACILITIES



Source: Colliers International

Floor space measurement - Usable area is rentable area; common areas are not included in rent.

Note: - 1 square meter = 10.7639 square feet

- To convert from R\$/sqm/month to USD/sqft/annum multiply the given rate by approximately 0.73 (this is based on an exchange rate of USD 1 = R\$ 2)

Building deliveries (standards) - For new buildings it is shell conditions, and sometimes with ceiling, lighting, flooring and air conditioning. For buildings that were already occupied, it is with the minimum infrastructure, according to the building class. The landlord does not concede tenant improvement allowance. Virtual offices come furnished and can be leased on a short-term basis.

THE 5 MOST COMMON ERRORS BY OCCUPANTS AND OWNERS OF NEW MARKETS



Source: Colliers International

To be unaware of the basic real estate practices of the new market. Do not make decisions before knowing the local premises. It is important to understand the laws, market, economy and all the other factors guiding your decision.



Source: Colliers International

Having neither clearly defined planning nor business objectives. Acting very slowly during the decision

making process or changing objectives frequently may result in missing out on great opportunities. In addition, planning allows buyers to get an idea of future growth, and what guides and directs the choice for the best space.



Source: Colliers International

Take time to start the search for the real estate property. Offering very tight time frames for the search may compromise the success of your negotiations. Haste may lead to having insufficient information on all the possibilities.



Source: Colliers International

Focus exclusively on the costs. Study, consult and assess the opportunities which better suit your current and future needs. Expenses may be much higher if a renovation or change in the installation is necessary months after the contract has been signed.

ABOUT OUR SPONSOR



Colliers is a real estate consulting firm present in over 62 countries, with 522 offices, 18 of which are in Latin America, for the following segments: Industrial, Offices, Retail, Land Lots for Incorporation, Rural Areas, Hotels, Hospitals, Teaching Institutions, among others. In Brazil, it has offices in São Paulo, Rio de Janeiro and Recife, with approximately 100 professionals offering services such as:

- Real Estate Investments;
- Representation of Owners, Tenants – Lease, Purchase and Sale;
- Consulting and De-Mobilization of Assets and or Real Estate Portfolios;
- Build-to-Suit and Sale & Leaseback operations;
- Property Management and Lease Contract Management;
- Assessment of Real Estate Properties for Purchase, Sale, Guaranty and Lease;
- Vocation, Market, and Economic Feasibility Studies (EVE);
- Assessment, consulting and advice for the acquisition/demobilization of assets for Investment Funds;

- Green Consulting for Obtaining the LEED® Certification.

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Colliers has a team of specialists in the office segment prepared to meet the needs of owners, occupants and investors.

We offer consulting throughout the process of lease, sale, representation of owners and occupants, in addition to offering complete analyses based on market information to guide the incorporator during all phases of the decision making process.

Our expertise in offices coupled with the knowledge of the Market Intelligence and Research team allows us to offer the best solutions to speed up the success of customers in the real estate market.

PARTNERS

Ricardo E. Betancourt
President

Ricardo Varella – Rio de Janeiro Office
Vice- President

Paula Casarini - São Paulo Office
Vice- President

Leandro Angelino
Research Manager

For further information, please contact:



São Paulo: R. Olimpíadas, 205 – 1º andar
CEP 04551-000 – São Paulo – SP
Telephone: (55 11) 3323 0000

Rio de Janeiro: Av. Almirante Barroso, 63
CEP 20031-003 – Rio de Janeiro – RJ
Telephone: (55 21) 2524 4242

Recife: Av. Gov. Agamenon Magalhães, 4.575
CEP 50070-160 – Recife – PE
Telephone: (55 81) 3037 2222

Website: www.colliers.com
E-mail: relacionamento@colliers.com.br

