



RESEARCH 2H 2020

Latin America Industrial Market

Resilience for a Growing Demand

Sao Paulo, Brazil

The trend of major occupation in Sao Paulo remained strong during 2020. In this vein, both the gross absorption from the fourth quarter, as well as the year-to-date absorption posted record highs since 2013 at 559,000 and 1.12 million square meters, respectively. The vacancy rate continues to drop as it was recorded at 13.7%. The asking rate for this market averaged \$3.49 per square meter per month.

Rio de Janeiro, Brazil

Rio de Janeiro also posted record net absorption within the 2013-2020 period, nevertheless, it was lower than Sao Paulo's at 35,000 square meters, while the year-to-date absorption was recorded at 188,000 square meters. The vacancy rate was down from 21.7% in the third quarter to 20.1% in the fourth quarter. In turn, the asking rate averaged \$3.68 per square meter per month.

Current Conditions

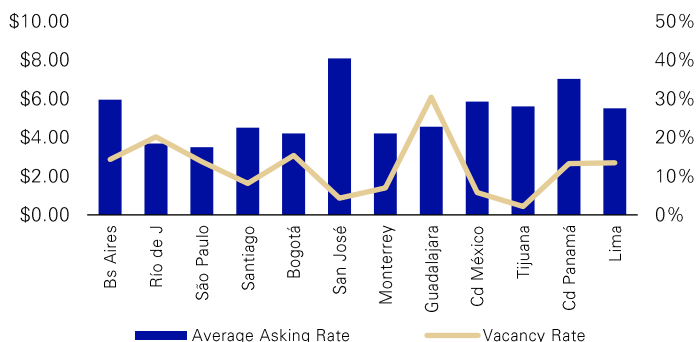
- The Class A inventory surpassed the 53.0 million square meters mark by the end of 2020 for an increase of 9.0% over the previous year.
- The vacancy rate in the region was up from 9.9% in the third quarter to 10.9% in the fourth quarter of 2020.
- Absorption levels improved in the second half of 2020 for a year-to-date absorption of 3.1 million square meters.

Market Summary

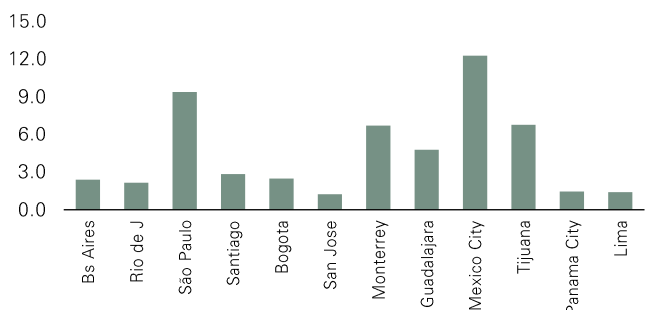
	Second Half of 2020	First Half of 2020	12-month forecast
Total inventory (m ²)	53,78M	49,56M	↑
Vacancy Rate	10,9%	9,9%	→
2H Absorption (m ²)	1,89M	1,18M	→
Average Asking rate (USD/m ² /month)	\$4,61	\$4,44	↑
Under construction (m ²)	3,93M	3,80M	→

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



TOTAL INVENTORY PER CITY (MILLION M²)



Buenos Aires, Argentina

The inventory of Class A industrial space in Buenos Aires was recorded at 2.4 million square meters. In turn, the vacancy rate remained mainly unchanged during the second half of the year and closed the fourth quarter of 2020 at 14.3%. The average asking rates posted a slight decline to \$5.95 USD per square meter per month.

Santiago de Chile, Chile

A remarkable improvement was seen in the second half of the year regarding key indicators like vacancy and absorption. The vacancy rate declined from 10.1% in the first half of the year to 7.3% by the end of the fourth quarter for a 2.1% difference from 2019. Deliveries for 45,000 square meters did not significantly impact the vacancy rate in the second half of the year. Most of this new supply was pre-leased space. The resiliency in the market was mainly driven by e-commerce, as well as by growing demand and the adjustments adopted by developers. Construction activity is expected to be reactivated during the year. In addition, the expectations generated as a result of protocols to control the pandemic, may bring about higher activity in 2021.

Bogota, Colombia

The Industrial Market in Bogota recorded some growth and was up from 2.38 million square meters to 2.48 million square meters at the end of 2020. New deals between tenants and landlords drove the vacancy rate down during the second half of the year by 0.9%, as it declined from 16.2% in the third quarter to 15.3% in the fourth quarter. In addition, quarterly net absorption maintained a stable trend at an average of 21,700 square meters, influenced by an increase in BTS facilities during this period. The BTS model is expected to keep increasing in the short term.

Monterrey, Mexico

This market recorded a gross year-to-date absorption of more than 630,000 square meters of Class A space, just 29,000 square meters less than in 2019. The vacancy rate increased from 6.5% in 2019 to 7.0% by the end of 2020. Several major transactions contributed to this absorption. Companies like Amazon Black & Decker, Ryder, King Castle and Mercado Libre took up took up new space and contributed to the stability of the market, despite an unusual 2020.

Guadalajara, Mexico

The industrial market in Guadalajara and Metro Area has not lost any dynamism. On the contrary, it has strengthened throughout 2020. The logistics sector contributed with 80% of the

transactions recorded in 2020, leaving the remaining 20% to transactions in the manufacturing and assembly sectors. The market also saw an increase in asking rates over the year-ago period from \$4.43 USD per square meter per month in 2Q19 to \$4.55 USD per square meter per month by the end of 2020. The top asking rates were recorded in the Lopez Mateos Sur submarket at \$6.14 USD per square meter per month. In contrast, the lowest asking rates were detected in the Periferico Sur submarket at \$3.88 USD per square meter per month.

Mexico City, Mexico

The Class A inventory surpassed the 12.0 million square meters mark, while construction activity increased to 966,000 square meters. Consequently, the vacancy rate increased from 3.9% in the third quarter to 5.8% in the fourth quarter of 2020. During the last quarter of the year, the market showed dynamism through the development of last-mile facilities in the central areas of Mexico City's Metropolitan Area, as well as through the development of new industrial facilities across all the industrial submarkets in the city. Storage and logistics companies were, clearly the key players of the industrial market as e-commerce sales climbed by 40%. This led to a growing demand for industrial space and the rearrangement of the industrial submarkets.

Tijuana, Mexico

Net absorption increased significantly due to major transactions recorded in the Alamar and El Florido industrial parks. El Florido industrial park features most of the land supply for BTS facilities in the Southwest of the city. This park houses World-Class companies like Samsung, Jacuzzi, Becton Dickinson or Allegion. Improvements to the infrastructure in the area enabled the Otay-Alamar submarket to expand as it also enabled an increased number of operations close to the U.S-Mexico commercial port of entry.

Panama City, Panama

By the end of 2020, the industrial market in Panama City showed signs of recovery with a moderate growth in supply. The inventory was recorded at 1.44 million square meters with a 13.2% vacancy rate. The market posted a year-to-date net absorption of 64,671 square meters. With asking rates of \$8.13 USD per square meter per month and effective rates of \$7.02 USD per square meter per month, 2021 is expected to have higher activity due to an increase in e-commerce and logistics operations. In order to meet the growing demand, construction activity posted 330,000 square meters, mostly BTS facilities.

Submarket Stats							
	Total Inventory (m²)	Under Construction (million m²)	Vacancy Rate (%)	Absorption 2H2020 (thousand m²)	Year-to-Date Absorption (miles de m²)	Average Asking Rate (USD/m²/month)	
Buenos Aires		2,39	0,15	14,3%	48,98	23,98	\$5,95
Rio de Janeiro		2,14	0,20	20,1%	137,57	188,10	\$3,68
Sao Paulo		9,36	1,19	13,7%	723,55	1.117,91	\$3,49
Santiago de Chile		2,83	0,13	8,1%	120,09	23,64	\$4,50
Bogota		2,48	0,07	15,3%	31,52	37,04	\$4,20
San Jose		1,23	0,14	4,3%	104,49	179,11	\$8,08
Monterrey		6,69	0,22	7,0%	304,24	478,68	\$4,20
Guadalajara		4,77	0,18	30,4%	127,92	311,92	\$4,55
Mexico City		12,26	0,95	5,8%	41,25	270,42	\$5,85
Panama City		6,76	0,15	2,1%	156,29	282,12	\$5,60
Lima		1,44	0,34	13,2%	75,14	169,54	\$7,02
Buenos Aires		1,40	0,18	13,4%	20,75	53,25	\$5,50
Total LATAM		53,78	3,93	10,9%	1.891,81	3.135,73	\$4,61

Economic Conditions

Argentina

Economic uncertainty has been constant throughout 2020. The vaccination Plan against COVID-19 and the economic regulations implemented by the government will be decisive in the short term. The unemployment rate increased to 11.7% in the third quarter of the year. The number of households below the poverty line reached 30.4%; equivalent to 40.9% of the population, 8.1% of which are in extreme poverty.

Chile

2020 ends as the most economically challenging year for Chile since the 2009 crisis. The sanitary indicators derived from the COVID-19 pandemic have remained stable during the last quarter of the year. This delicate balance—as evinced in Europe—has prevented economic players and the government from resuming activities under the new normal.

The Central Bank disclosed its GDP growth projections for the country through the last IPOM (Monetary Policy Report), ranging between negative 5.75% and negative 6.25% throughout the year. On a more positive note, the unemployment rate was down from 13.1% to 10.8%. This in turn could moderately drive a higher demand for office space.

Brazil

By the end of 2019, Brazil's economic outlook was optimistic. The social security reform had been approved and the national accounts were heading in the right direction. Even though the inflation was above target, it remained under control. The GDP showed slight signs of recovery from 2017 through 2019 while the unemployment rate fluctuated progressively around 11.0%, the lowest in 4 years. Additionally, investments in the stock market recorded record highs.

COVID-19 forced Brazil to implement social distancing measures to contain the transmission of the virus. The pandemic negatively impacted the country's economic conditions due to the lockdown. This led to a significant decline in tax revenue, an increase in unemployment. Likewise, the crisis brought about exchange rate volatility, as well as the worst inflation rate in over the last 22 years.

The latest reports issued by the Federation of National industries show that the manufacturing industry posted growth in November and jobs were created. The ICU rates remained high in November at 79.9%, which reflects activity increase. Despite the ICU decreased by 0.2 percentage points, it still surpassed the 78.3% recorded in 2019. Most players from all industrial sectors remain confident in economic recovery, especially from the chemical and pharmaceutical, transportation and infrastructure industries.

U.S Dollar Exchange Rate in LATAM

Country	4Q20	3Q20	2Q20	1Q20
Argentina (ARS)	84,08	76,17	68,55	62,24
Brazil (BRL)	5,19	5,61	5,43	4,65
Chile (CLP)	709	784	819	825
Colombia (COP)	3,414	3,825	3,815	3,669
Costa Rica (CRC)	609	601	572	\$573
Mexico (MXN)	19,87	22,09	23,11	20,73
Peru (PEN)	3,62	3,60	3,45	3,42

Colombia

The dynamics of the economy in Colombia showed a particular trend by the end of 2020. According to the National Administrative Department of Statistics (DANE) of Colombia, the GDP contracted by 6.8% in 2020, 3.6% in the fourth quarter alone. The best sectors for the economy were: the agricultural sector (2.8%), the finance and insurance sector (2.1%), real estate (1.9%) and public administration (1%). On the other hand, the sectors that led to the contraction of the GDP were: trade, transportation, lodging and food services (-15.1%), construction (-27.7%), mining (-15.7%). Together, these sectors caused the GDP to plunge by negative 5.8 percentage points. Overall, the economy contracted by 3.6% in the last quarter of 2020, which translates into a 12.2 percentage points recovery over the contraction recorded in the second quarter of the year which was estimated at 15.8%

Mexico

Despite the current global economy, key indicators of the Mexican economy show a recovery during the last quarter of 2020 over the previous quarter. This was mainly driven by the “Buen Fin” (The Good Weekend equivalent to Black Friday) in the U.S) in November. This incentive led to favorable indicators such as a decline in the inflation rate and the strengthening of ecommerce which had a positive effect on the manufacturing, transportation and trade sectors.

Some projections for 2021 estimate that the Bank of Mexico will continue applying monetary policy measures such as the reduction of the reference interest rate. Additionally, the exchange rate will be favored by a weak dollar and a surplus in the current account of the balance of payments.

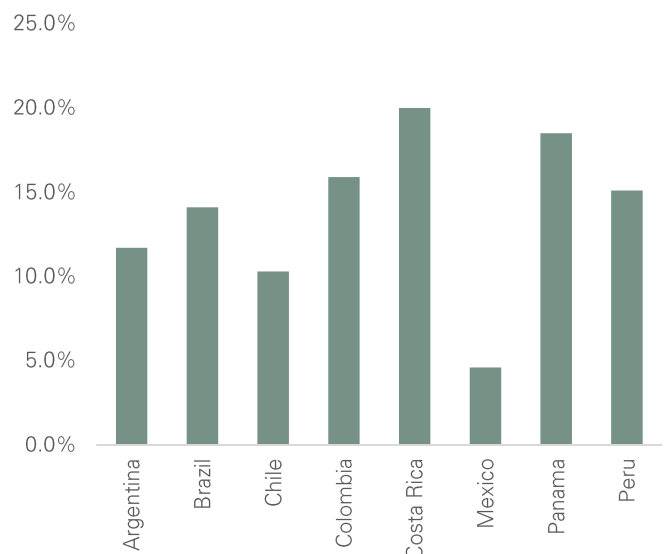
Peru

The Pandemic in Peru has been dire as this country is one of the countries with greater numbers of deaths worldwide. This situation, combined with the political turmoil generated by constant tensions between the executive and legislative branches of government has brought about some of the most complicated periods in the history of the country. Peru sworn in three different presidents in November 2020 after a coupe that led to an emergency transition of power in order to finally restore a democratic government. Presidential elections will be held in April once again and stability is expected to rule in a country that has shown excellent macroeconomic indicators over the last few decades.

Socioeconomic Outlook

Country	Population (million)	GDP per Capita (thousand US\$)	City	Population (million)
Argentina	44,49	9,89	Buenos Aires	15,33
Brazil	209,47	8,80	Rio de Janeiro	12,98
			Sao Paulo	21,29
Chile	18,73	15,40	Santiago	6,54
Colombia	49,65	6,51	Bogota	9,97
Costa Rica	4,99	12,01	San Jose	1,18
			Monterrey	4,59
Mexico	126,19	10,12	Guadalajara	4,92
			Mexico City	21,15
Panama	4,18	16,24	Panama City	0,89
Peru	31,99	7,05	Lima	10,07
Total	489,69			108,91

Unemployment rate per country



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