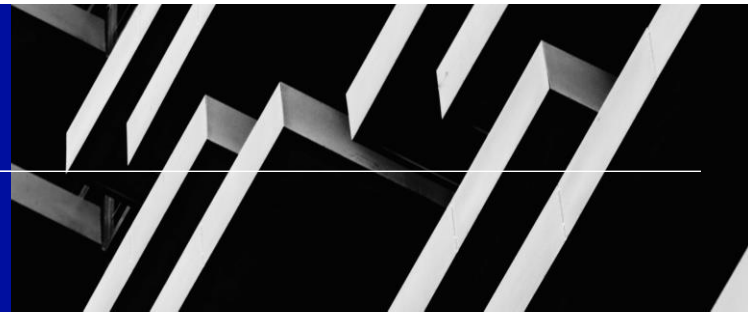
RESEARCH 1H 2021



Latin America Industrial Market

Increased Demand for Industrial Space Drives Vacancy Lower

The industrial market in the LATAM region has shown great resiliency over the past few months. Industrial markets in Mexico City, Santiago, Sao Paulo and Rio de Janeiro have recorded significant activity—more than 200,000 square meters—mainly driven by the logistics sector and as a result of new consumption habits. The increased activity in the region has led to a decline in the vacancy rate to 8.2%. With the uptick in demand, more industrial product will need to be developed in order for market indicators to remain stable.

Buenos Aires, Argentina

During the first half of the year, the industrial market inventory was reclassified after the CABA submarket was added to the market. As a result, the Class A inventory in Buenos Aires reached 2.23 million square meters. The city's vacancy rate increased over the first quarter of the year to 16.6% as of the end of the second quarter of 2021. The average asking rate increased slightly to $6.43 USD per square meter per month.

Current Conditions

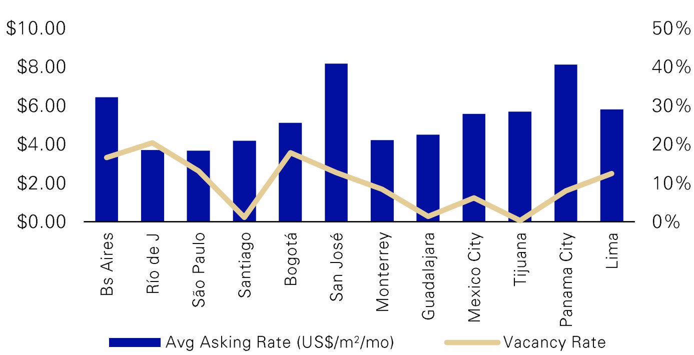
- The Class A industrial market stands at more than 55.0 million square meters and recorded deliveries of more than 2.0 million square meters during the first half of the year.
- The vacancy rate in the region continued to decline during the first half of the year, dropping from 8.6% to 8.2%.
- The asking rate averaged a $0.20 USD increase as the market has sustained its current dynamism.

Market Summary

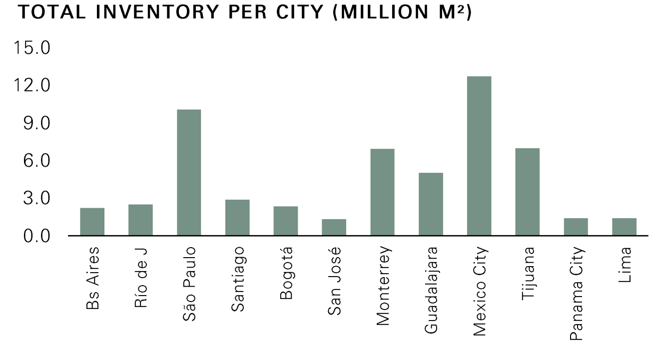
	Current Semester	Previous Semester	12-month forecast
Total Inventory (m^2)	55,85M	53,57M	↑
Vacancy Rate	8,2%	8,6%	↑
1H Absorption (m^2)	1,11M	1,84M	→
Average Asking Rate (USD/m^2/month)	$4,82	$4,62	↑
Under Construction (m^2)	4,64M	3,93M	→

Market Analysis

AVERAGE LEASE RATE AND VACANCY RATE



TOTAL INVENTORY PER CITY (MILLION M²)



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Sao Paulo, Brazil

The Sao Paulo industrial market hit record demand and absorption levels by the end of 2020. The market recorded an inventory increase of 265,000 square meters from the first to the second quarter of 2021. The inventory also increased in Sao Paulo's outskirts, such as in the Cajamar, Guarulhos, Embu and Barueri submarkets, which posted high demand due to their proximity to the city (up to 40 km from Sao Paulo's downtown area). The vacancy rate rose slightly from 12.8% to 13.0%, mainly due to the new spaces added to the inventory which were not entirely absorbed. Nevertheless, the vacancy rate remains at its lowest level since 2014.

Río de Janeiro, Brazil

The second largest market in Brazil has gained momentum over the past few years, recording significant inventory and demand growth rates. The industrial market saw deliveries totaling 41,000 square meters during the second quarter of the year, for a total of 92,000 square meters during the first half of 2021. The current inventory stands at 2.5 million square meters of Class A space. The vacancy rate increased from 15.5% to 20.4% as a result of the new inventory and a major tenant vacating space. Gross absorption was recorded at 65,000 square meters, whereas net absorption was recorded at negative 54,000 square meters.

Santiago de Chile, Chile

After a marked increase in demand levels observed as of the second quarter of 2020, the first half of 2021 recorded the highest absorption in Santiago's industrial market since 2013. The sustained increase in demand demonstrates the fact that ecommerce is no longer a temporary trend, but a structural change in companies' marketing and logistics models. In a low production environment, asking rates are expected to increase in the midterm as companies compete for new spaces. In addition, the demand for industrial land is projected to increase for other types of spaces like data centers and mini-warehouses. The strain that higher asking rates exert on project profitability is another factor that could influence lease conditions.

Bogota, Colombia

An analysis and reclassification of all industrial parks was conducted during this first half of the year; 28 Class A industrial parks and six submarkets were identified for a total inventory of 2.3 million square meters. These six submarkets constitute areas for regional progress and the development of the country. The vacancy rate declined nearly one percentage point over the past year to 17.7%. Over the past few months, the industrial sector has shown positive growth with year-to-date absorption of 55,780 square meters, noticeably higher than the year-ago- period, which recorded negative absorption.

San Jose, Costa Rica

The San Jose industrial market has seen a major recovery in space absorption, which is expected to continue as a result of the new build-to-suit facilities added to the inventory. Nevertheless, the market also saw a slower pace in the completion of the build-to-suit facilities that had broken ground in 2019. The demand for this type of industrial facility remained on standby during the first 6 months of the health crisis, but as of September of 2020, the construction of some (leased) buildings had resumed, mainly in the Coyol-Alajuela and Lima de Cartago submarkets. The facilities that are currently under construction are expected to be added to the inventory later in the year. Over the past 9 months, the market has seen the reactivation of demand from tenants in the manufacturing industry.

Monterrey, Mexico

This market posted significant demand for Class A space during the first half of the year, with year-to-date gross absorption registering more than 396,000 square meters. The Apodaca and Santa Catarina submarkets recorded the highest absorption rates in the city at 38.1% and 35.6%, respectively. Construction activity increased during the second quarter of the year to 389,000 square meters from 369,000 square meters during the first quarter and from 375,000 square meters a year ago. The Santa Catarina and Cienega de Flores submarkets account for the most construction activity with 23.8% and 20.6% of the total market's space under construction, respectively. The average asking rate remained stable over the previous quarter at $4.22 USD per square meter per month.

Guadalajara, Mexico

With a diversified economy that is attractive to direct foreign investment, Guadalajara has strengthened its position as a manufacturing, logistics and technological hub of Mexico. The industrial market in Guadalajara has thrived, with absorption rising by more than 100,000 square meters over the previous quarter due to a combination of several factors. These include the slight reduction in asking rates, the dynamism of the manufacturing and logistics sectors in the region, and a revamped economy triggered by changes to the city's color-coded COVID-19 tracking system.

Mexico City, Mexico

The industrial sector in Mexico City remained the most attractive of the property sectors over the past few years due to a transformation of consumption habits and the increase in e-commerce. The market showed the highest absorption in the region with more than 275,000 square meters, a notable increase from the 41,000 square meters in the previous semester. This city features one of the most dynamic submarket clusters in Mexico and the LATAM region, the Cuatutitlan, Tepotzotlan and Tultitlan (CTT) submarkets. This corridor accounts for more than 50% of the industrial inventory in the Mexico City Metro Area and has consistently recorded significant market activity over the past few years.

Tijuana, Mexico

Growth of Tijuana's industrial market has started to accelerate after a period of stagnation. Construction activity has regained momentum, but not fast enough to meet the demand. As a result, the vacancy rate hit a record-low rate of 0.3% with the supply of completed facilities remaining scarce and spaces under construction being leased before completion. This trend has attracted the attention of new developers and REITs that are attempting to establish market share in the city. The most active submarkets are Alamar and Blvd 2000, featuring spaces under construction for companies new to the area who were attracted by the city's infrastructure and easy access to California and Tecate.

Panama City, Panama

By the end of 2020, the Panama City industrial market showed signs of recovery with moderate growth in supply levels. Current inventory totals 1.44 million square meters. The market posted a vacancy rate of 13.2% and net absorption of 64,671 square meters. Asking rates remain stable averaging $8.13 per square meter per month while closing rates averaged $7.02 USD per square meter per month. Market activity is expected to increase during the second half of 2021, driven by the ecommerce and logistics sectors. To meet this demand, the market posted more than 330,000 square meters under construction, mainly in build-to-suit facilities.

Lima, Peru

During the first half of 2021, the vacancy rate for premium industrial space continued trending downward to a record-low of 12.5%, as companies in the logistics sector recorded increased market activity. During the first half of the year, significant demand for Class A logistics facilities was recorded in the outskirts of Lima. This space was mainly absorbed by companies in the food, pharmaceutical and ecommerce sectors, which generally seek lower lease rates. The industrial inventory is expected to grow by 187,000 square meters by the end of 2021.

Stats per City

	Total Inventory (million m²)	Under Construction (million m²)	Vacancy Rate	1H Absorption (m²)	Average Asking Rate (USD/m²/month)
Buenos Aires	2,23	-	16,6%	(310.228)	$6,43
Rio de Janeiro	2,50	0,13	20,4%	19.867	$3,71
Sao Paulo	10,07	1,69	13,1%	227.315	$3,67
Santiago de Chile	2,88	0,13	1,1%	245.561	$4,19
Bogota	2,34	0,80	17,8%	55.781	$5.12
San Jose	1,32	0,18	12,7%	14.426	$8,18
Monterrey	6,94	0,39	8,4%	217.966	$4,22
Guadalajara	5,01	0,15	1,4%	34.368	$4,50
Mexico City	12,71	0,67	6.2%	275.357	$5,58
Tijuana	6,98	0,22	0.3%	171.219	$5,70
Panama City	1,42	0,09	8,0%	148.643	$8,13
Lima	1,42	0,22	12,5%	15.500	$5,80
Total LATAM	**55,85**	**4,64**	**8,2%**	**1.115.776**	**$4,82**

Economic Conditions

Argentina

The reactivation of all economic sectors will depend on the expedited rollout of vaccination campaigns. The GDP is expected to show a slight recovery to negative 3.5%, up from negative 9.9% at the end of 2020. The exchange rate against the U.S. dollar has continued to rise, and registered $101.5 as of the end of the second quarter of 2021. The country tightened currency control and expanded restrictions on U.S.-Peso exchange, both for companies and individuals. Additionally, the unemployment rate climbed to 11.6% during the second quarter of the year from 10.4% a year prior.

Chile

During May 2021, the Chilean economy recorded a record annual IMACEC (Spanish for Monthly Economic Activity Index) of 18.1%. While this indicator may have been influenced by the negative 15.3% figure recorded at May 2020, it stood at the optimistic projection for most analysts. Likewise, the unemployment rate has posted slight recovery to 11.0% in the RM region and to 10.0% nationwide. Note that these results were influenced by pandemic-related sanitary restrictions, and therefore, economic conditions are expected to improve together with health indicators derived from pandemic control.

U.S. Dollar Exchange Rate

Country	3Q20	4Q20	1Q21	2Q21
Argentina (ARS)	76,17	84,08	89,70	94,52
Brazil (BRL)	5,61	5,19	5,56	5,21
Chile (CLP)	784	709	726	721
Colombia (COP)	3.825	3.414	3.624	3.735
Costa Rica (CRC)	601	609	611	615
Mexico (MXN)	22,09	19,87	20,62	20,03
Peru (PEN)	3,60	3,62	3,68	3,81

Brazil

Contrary to expectations issued by economic analysts, Brazil's GDP increased by 1.2% during the first quarter of the year, similar to the end of 2019. Despite complications derived from the pandemic and cuts to relief programs, the country's economic performance was better than predicted. The country's GDP reached R $2,048.00 billion, up 1.0% from the year-ago period, the first increase after 4 consecutive drops. Manufacturing production, trade, and services are some factors that drove economic recovery together with higher demand for raw materials worldwide, which favored Brazilian exports. The Ministry of Economy expects the GDP to increase by 3.5% this year, but market projections indicate the GDP may grow by 3.96%. In their most recent meeting, the Central Bank of Brazil adjusted the SELIC (Basic Interest Rate) rate from 4.25% to 5.25%, which is expected to increase to 6.50% by the end of the year. The exchange rate reached R $5.00 but the Central Bank predicts an exchange rate of R $5.04 per USD by the end of the year.

Colombia

The second quarter of the year brought about recovery for the Colombian economy. The commercial sector was reactivated and the private sector is showing positive signs of recovery after months of uncertainty derived from the pandemic and the demonstrations of social unrest at the end of April.

Based on a report issued by the International Monetary Fund, Colombia's GDP is expected to increase by 5.0% for 2021. Likewise, the Peso has devalued 5.7% against the US dollar over the past few weeks, which has generated confidence among investors in capital markets.

Economic recovery in Colombia was boosted in the first half of the year as a result of the swift implementation of vaccination programs, and by higher consumption and investment driven by profits derived from private savings and higher foreign demand.

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Costa Rica

The economic situation in Costa Rica and the effects of the pandemic have driven tenant interest in facilities that meet health standards and feature amenities that maximize the efficiency, safety and comfort of their workforce.

During the first half of the year, general inflation (estimated through the year to year variations in the Consumer Price Index) remained low at 1.9% as of the end of June. The manufacturing industry increased from negative 7.0% in May 2020 to 7.9% in May 2021. Despite this production increase, the recovery still has not reached pre-pandemic levels.

Mexico

Economic indicators showed clear signs of recovery throughout the second quarter of the year. Foreign Direct Investment recorded a 15.0% increase over the past few months. Likewise, in order to stabilize the price index and as a result of inflationary strains, the Bank of Mexico has decided to increase interest rates by 25 basis points, to 4.25%. The interest rate is expected to reach 5.5% by the end of the year based on monetary policies and the goal to raise the country's economic growth indicators. The GDP is expected to grow between 5.0% and 7.0%.

Panama

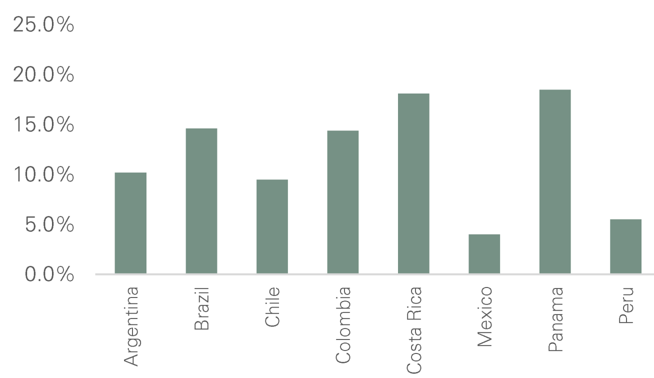
During 2020, the manufacturing industry is estimated to have declined by 11.0%. Nevertheless, several economic forecasters expect a positive rebound effect in 2021 once the economic sectors are reactivated and the vaccination campaign continues.

The country's economy is expected to increase by 5.5% within the next twelve months, according to the CEPAL. This estimate is based on the projected recovery of the global economy and markets, resulting in reactivation of trade flow at the Interoceanic Canal, which accounts for 90.0% of Panama's exports. Last year, the economy was impacted severely by plummeting exports in the Colon Free Trade Zone. During the first quarter of 2020, exports declined over the first quarter of 2019, nevertheless, major recovery of copper exports has been detected over the past six months

Socioeconomic Outlook

Country	Population (million)	GDP per Capita (000s US$)	City	Population (million)
Argentina	44,49	9,89	Buenos Aires	15,33
Brazil	209,47	8,80	Río de Janeiro	12,98
			Sao Paulo	21,29
Chile	18,73	15,40	Santiago	6,54
Colombia	49,65	6,51	Bogotá	9,97
Costa Rica	4,99	12,01	San Jose	1,18
Mexico	126,19	10,12	Monterrey	4,59
			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



Peru

As of December 2020, Peru was demonstrating signs of economic recovery compared to other countries in the region. However, this recovery slowed as a consequence of the quarantine imposed in February 2021, as well as by the uncertainty derived from the elections and a second wave of the pandemic in April. Notwithstanding, the GDP still recorded a 3.8% increase in the first quarter of the year. In the first half of March, the government eased the mandatory lockdown and allowed consumers to reach businesses in high epidemiological alert regions. The trade, services and construction sectors also posted higher activity. However, expectations for future economic growth shifted downward due to electoral uncertainty.

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