



The Class A Industrial Market in Buenos Aires

Market returns to growth path

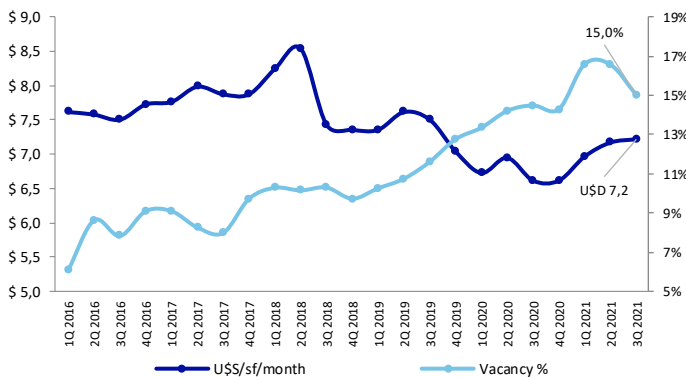
At the end of the third quarter, the Class A logistics center market showed signs of stabilization and continued improvement, bringing its indicators closer to pre-pandemic values.

The growth of ecommerce did not stop despite the progressive reopening of physical stores. The volume of online purchases doubled the most optimistic expectations, accelerating the transformation of the distribution process, which also had an impact on the logistics real estate market. This translated into higher demand for premium logistics space, as operators had to adjust their structures to provide services in line with this volume of demand.

At the end of the third quarter, the market showed a more favorable outlook, registering signs of a generalized recovery, approaching the volume of construction, demand and supply for 2019. Transactions that had been delayed pending greater certainty about the control of the pandemic continued to materialize, resulting in positive quarterly net absorption.

Vacancy showed a slight decrease, partly due to a decrease in vacancy and the reactivation of demand. On the other hand, rental values show a stabilization with respect to the previous period. In the context of gradual improvement in the market, it appears that the values presented are increasingly closer to those recorded pre-pandemic.

Asking rent and Vacancy. Q1 2016- Q3 2021



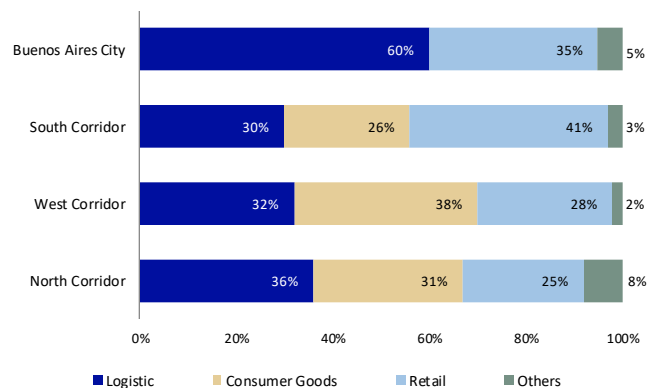
Current Situation

- The average rental value for class A logistics centers stabilized at \$7.20 /SF with no significant changes compared to the last quarter.
- The vacancy rate continued to decrease (-1.7 percentage points), averaging 15% of the total rentable area.
- In the third quarter of 2021, a slight recovery of the market began to show, registering a positive net absorption of 3,603,527.7 square feet

Market Analysis

Premium Warehouse	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	24,0 MSF	24,0 MSF	25,1 MSF	↑
Availability Rate	15%	16,6%	14.5%	↘
Availability Rate	US\$6,5	US\$7,2	US\$5.93	→
Quarterly Net Absorption	370,3K	595,3K	-1.3MSF	↗
En construcción	80K	80K	80K	→

Activities located by zone in premium warehouses – Q3 2021



Zone Indicators

For the third period of the year, asking rental values remained practically unchanged to those presented during the previous quarter and gradually recovered to pre-pandemic values.

Zona Sur and CABA did not present variations in general, and Zona Norte and Oeste showed variations of around 2%. The market could be beginning to stabilize in terms of market prices.

The North Zone continues to have the highest values, reaching \$7.40 /SF, which is 6.1% above the average values of the South Zone, while the difference to the West Zone is 19.7%.

In this context of market improvement, vacancy continues to show a downward trend. In terms of surface area, it showed a 2.0% drop to the previous quarter, totaling 3.6 million square feet.

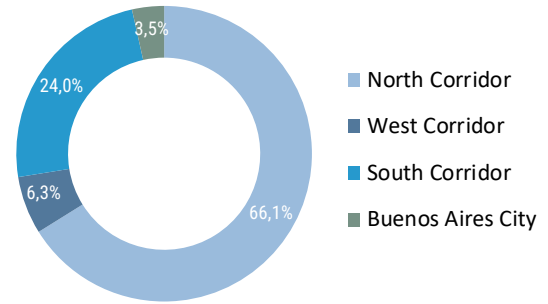
Not all areas behaved in the same way; the North stands out, with a downward variation of 14.3% in available surface area; despite having the largest supply of available square meters, it remains with a vacancy close to the market average.

Net absorption showed positive values. Most of the transactions took place in the North Zone, which ended with a positive value of 42.255,38 square feet. On the other hand, negative net absorption was recorded in the South.

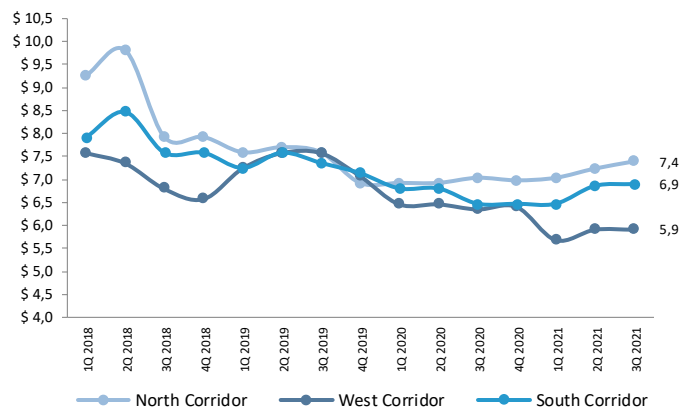
During the second period of the year, with the easing of sanitary restrictions, construction activity reactivating and new square meters being added to the market, adding to the supply of those projects that had been delayed by the pandemic.

During the previous quarter, 407.994,87 square feet were registered in the North and South Zones. By the end of the year, 785.764,70 square meters are expected to enter the market in the North Zone. This confirms that the area is in full expansion and is consolidating as an investment pole in terms of logistics space supply.

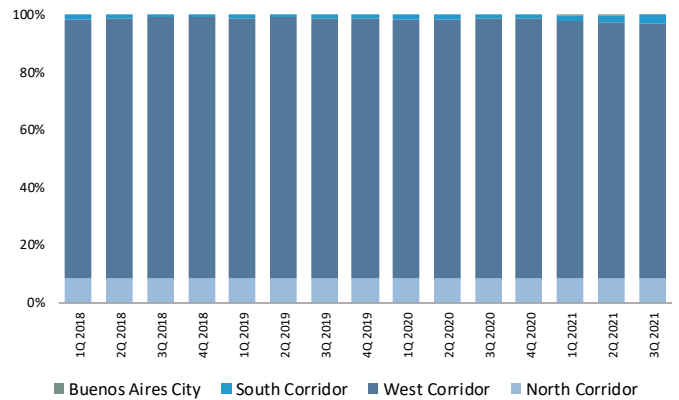
Composition of inventory (SF)



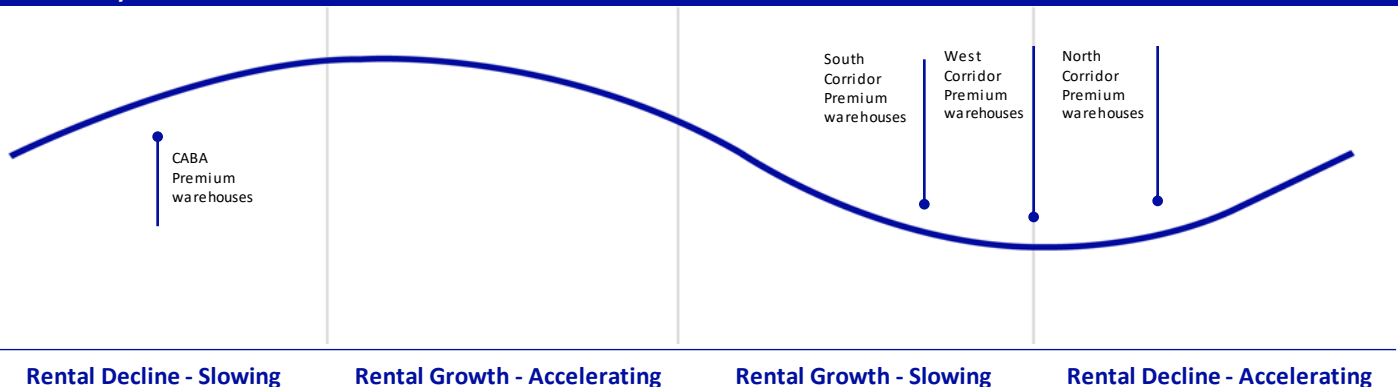
Asking Rent (US\$/SF/Month) Q1 2018- Q3 2021



Available Surface (SF) Q1 2018- Q3 2021



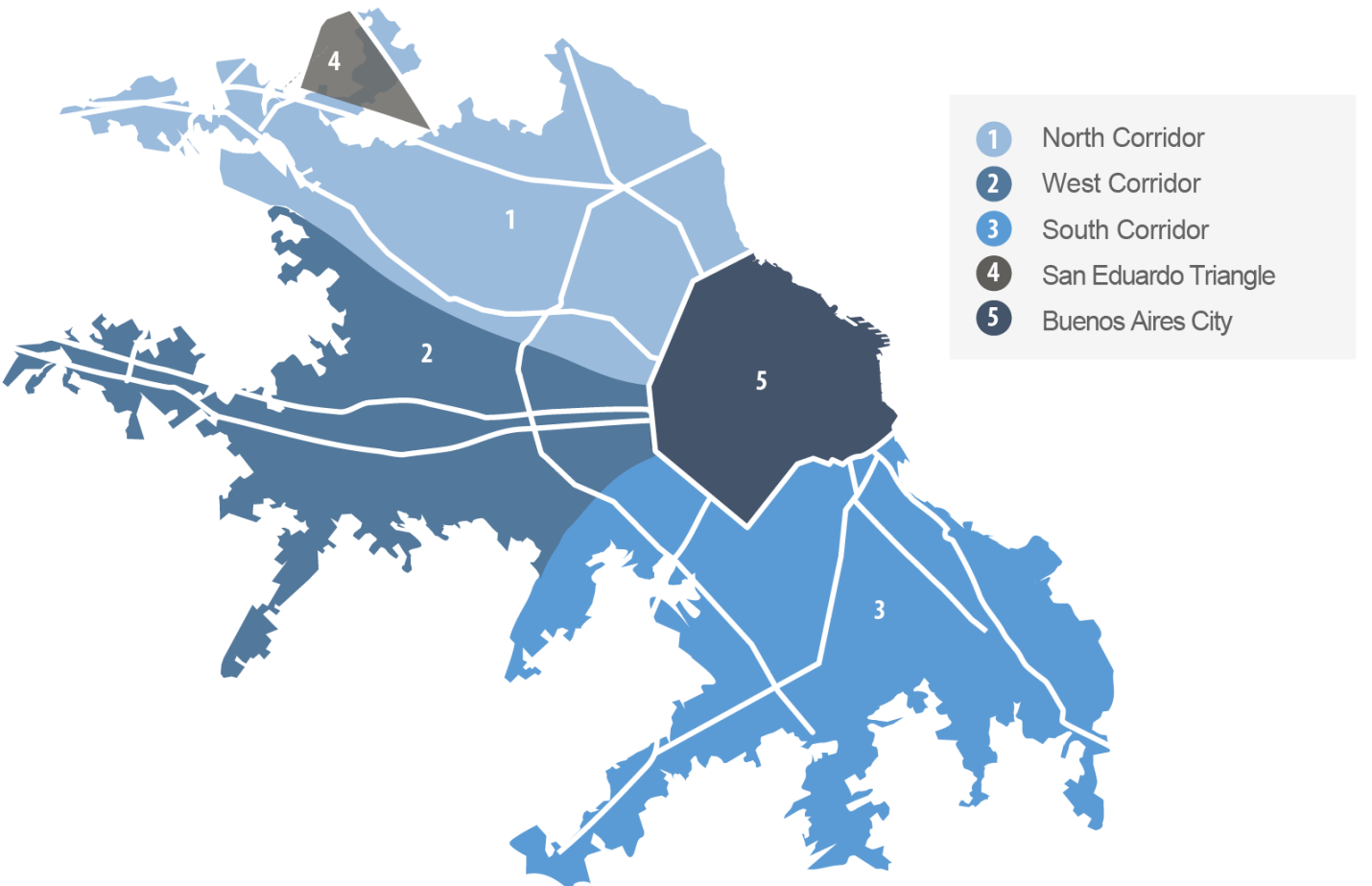
Real Estate Cycle



Market Statistics						
Premium Warehouses	Total Inventory (SF)	Total Availability (SF)	Availability Rate (%)	Qtr. Absorption (SF)	Under Construction (SF)	Direct Asking Rent (\$/SF/YR)
North Corridor	15.876.806,32	2.438.120,23	15,36%	407.994,87	850.348,10	7,38
West Corridor	1.521.477,27	276.309,31	18,16%	-	-	5,91
South Corridor	5.769.450,40	878.334,24	15,22%	- 26.909,75	-	6,89
Buenos Aires City (CABA)	839.584,20	10.763,90	1,28%	29.062,53	-	8,70
Total	24.007.318,18	20.403.790,51	15,01%	370.321,22	850.348,10	\$7,22

Industrial and Logistics Parks	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Land Asking Sale Price (\$/SF)
North Corridor	348,535,082	238.205.107	68,3%	\$89,5
West Corridor	33,152,812	7.803.828	23,5%	\$55,5
South Corridor	141.760.563	20.935.786	14,8%	\$63,0
TOTAL	523.448.457	266.944.720	51,0%	\$69,30

Industrial market – Buenos Aires



Economic Outlook

The pandemic had a strong impact on the Argentine economy. During 2020, the country suffered a 9.9% drop in gross national product, the largest since 2002. Although the economy has begun to recover now, by mid-2021, it was still below pre-pandemic levels.

During the third period of the year, with the progression of immunization of the population, new sanitary provisions were enabled that provided greater flexibility and opening of activities that added greater mobility within the country. This translated into a greater economic movement. Although these measures did not yet reflect a growth of the GDP, there was a deceleration in the fall of the economy, which in the second quarter of the year was -1.4% from the previous quarter.

The primary elections are part of the economic and social context of the country. The results of the PASO (primary, open and mandatory elections) and the expectations about the results of the November elections have put a brake on the economy, which has been waiting for more certainty about the economic and political direction that the country could take.

In a complex and weakened economic scenario, the unemployment rate stood at 9.6% amid a delicate social climate, where the number of people receiving state aid through various social programs is growing, in an attempt to moderate the country's poverty level.

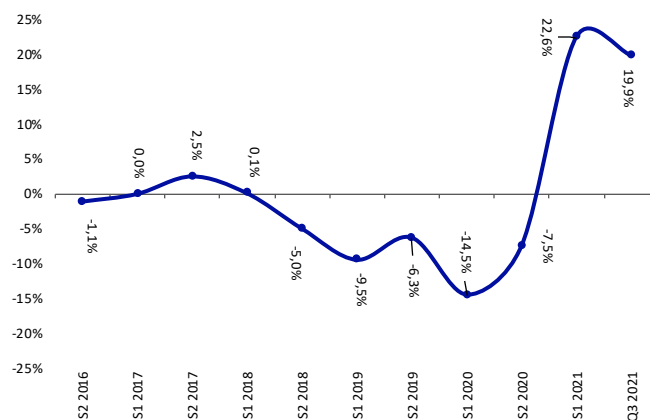
The domestic economy continues to show strong macroeconomic imbalances. The purchasing power of families continues to decline as a result of an inflationary context that, for the moment, seems out of control, where the consumer price index reached 51.4% annually at the end of the third quarter; the local currency continues to depreciate at the same pace as the growth of the dollar.

Economic indicators Q3 2021

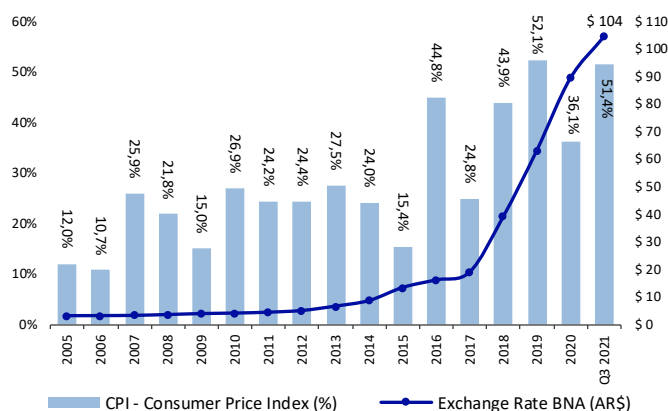
Capital City	Buenos Aires
Population (estimated 2021)	45.808.747
GDP MM	US\$ 448,411
GDP per capita MM	US\$9,789
Currency	Peso
Unemployment Rate	9,6%



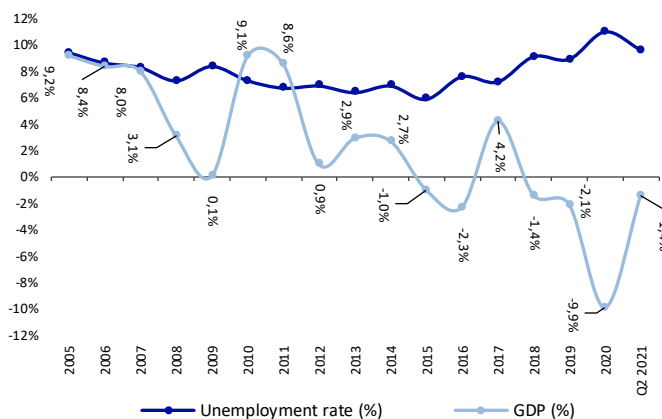
Manufacturing production index. Annual variation (%)



Exchange Rate (BNA) – Consumer price index (%)



Unemployment rate (%). GDP (percentage change)



Source: Bank of the Argentine Nation, INDEC 1999-2007/2015-2021 INDEC. 2008-2014 CaI calculated using the weighted geometric average of the consumer price indexes provided by the provisional statistics institutes.

Source: INDEC 2015 = World Bank estimated value. 2021= World Bank estimated value (June 2021 projection)

For more information:

Headquarters

Maipú 1300, 6º Piso
C1006ACT, CABA, Argentina
t +54-11-4311-9500

Alejandro Winokur

Co-founder and Director
awinokur@ngbacre.com.ar

Karina Longo

*Head of Research, Valuations,
Data Analytics*
klongo@ngbacre.com.ar

Maylingh Contreras

Market Research
mcontreras@ngbacre.com.ar

www.nmrk.com.ar

Glossary of Terms

Absorption

A measure of the change in occupied space.

Availability

Space marketed for lease regardless of when the space will be available or whether the space is vacant or occupied.

Deliveries

The total RBA of properties added to the inventory once construction has been completed.

Direct Space

Available space offered for lease by the building owner, landlord, or owner representative.

Leasing Activity

The volume of leases signed including new leases, direct and sublet leases, extensions and renewals, and leases signed in proposed or under construction buildings.

Occupancy

Any space physically occupied by a tenant, regardless of lease status of the space.

Rentable Building Area (RBA)

A measurement of the total square feet in a building including the tenant and common areas such as the lobby and hallways.

Sublet Space

Available space offered for lease by a building tenant seeking a subtenant to fulfill the remaining lease obligation.

Under Construction

Buildings under construction are defined by the time the foundation is poured through the time the building is certified for occupancy.

Vacancy

Space not physically occupied by a tenant, regardless of the lease status or availability of space.

Weighted Average Rent

The asking dollar amount for the use of available space, weighted by size (the average does not include negotiable or unpublished rates and is reported as full service including operating costs).

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at ngkf.com/research.

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