



Buenos Aires Industrial Market

Developers and Occupiers Drive Premium Logistics Center Market Growth

The logistics market has been showing signs of recovery in 2022. During 2021, stabilization that managed to return the indicators to pre-pandemic values was observed. There were no new additions to the inventory, since the new developments were paused, waiting for the market's reaction to the delicate economic situation in the country.

Since the beginning of the year, large occupants of logistics spaces have opted for operations growth, which has been produced positive absorption for the market, ending the first quarter of 2022 with an accumulated net absorption of 105,470 square meters. Despite the high dependence of the sector on build-to-suit contracts to initiate new development, commitment to growth is one of the positive signs of the period.

Although the area under construction remains at historical lows, it is expected that during 2022 and 2023, nearly 764,237 square feet will enter the market. If the demand levels registered during the first half of the year continue in the face of low production of new inventory, it is very likely that by the end of 2022, there will be a shortage of premium logistics spaces. Likewise, some land transactions were shown in industrial parks in the North Zone, confirming it as the preferred area to establish and invest both for logistics developers and companies for their strategic operations.

Current Situation

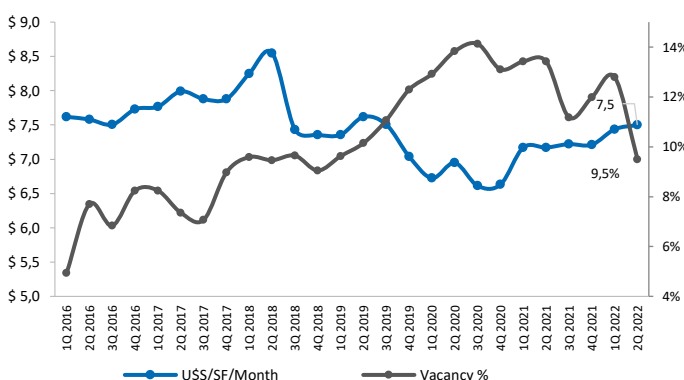
- The average rental value for Class A logistics centers did not change significantly, closing at \$7.40/SF.
- The vacancy rate closed at 9.5%, representing a decrease of 3.3 percentage points compared to the first quarter of 2022.
- In the second quarter of 2022, the market continued on a positive path, closing the period with net absorption of over 627,212 square feet.

Market Highlights

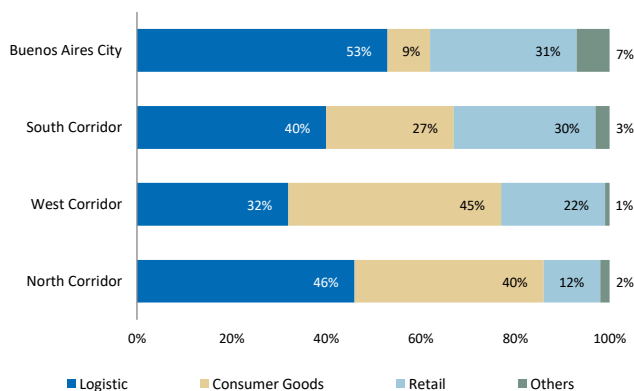
Premium Warehouse	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	19,09 MSF	19,09 MSF	18,34 MSF	↗
Availability Rate	9.5%	12,8%	13,4%	↘
Average Asking Rent	US\$7,5	US\$7,4	US\$7.2	→
Quarterly Net Absorption	627,2K	508,1K	57,8K	↗
Underconstruction	764,2K	161K	850K	↗

Market Analysis

ASKING RENT AND VACANCY. 1Q 2016- 2Q 2022



ACTIVITIES LOCATED BY ZONE IN PREMIUM WAREHOUSES – 2Q 2022



Offer

Regarding availability, the period ended at over 1.8 million square feet, 25.7% less than the previous quarter; an important milestone since, traditionally, most of the absorbed meters originated in build-to-suit operations. This decrease is contrary to what was observed in 2021, where availability remained practically unchanged.

This was reflected in a drop in the vacancy rate of 3.3 percentage points, closing the period at 9.5%; this value was close to those observed during the years 2017 and 2018.

The greatest variation was experienced in the North Zone, which ended the quarter with 9.05%, representing a decrease of 4.5 percentage points.

For rental values, there were no major variations to the previous period, averaging \$7.40 /SF, continuing with the trend of slight increase presented since the second quarter of 2021.

Demand

Net absorption continued to present positive values, like the previous period. It should be noted that this phenomenon had not been observed in the market since the end of 2018, closing the period at just over 627,212 square feet. North Zone continues to present the highest net absorption with almost 538,518 square feet, 51.0% more than the previous quarter. South Zone also showed positive values with over 88,694 square feet absorbed.

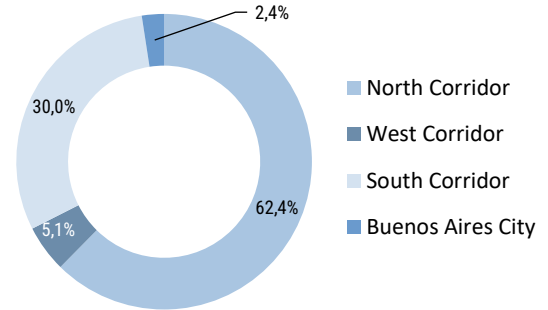
Future Space

The North Corridor stands out, with the resumption of several projects that were delayed as a result of the pandemic and expectations during the past year.

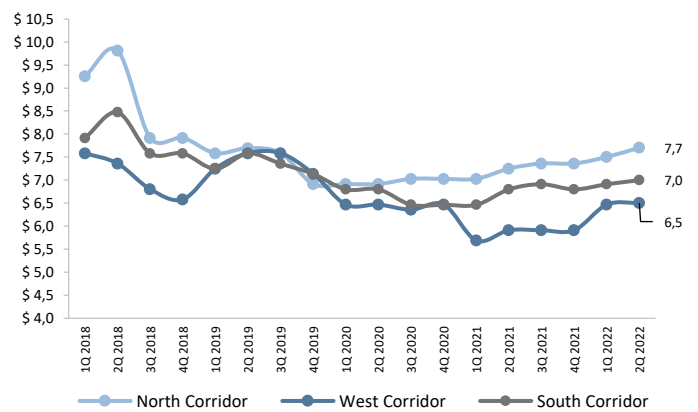
Industrial Parks

As for land for sale in industrial parks, the market bets on the properties with the best location. The sale of 15 hectares was registered, which was found in a range between \$61.30 /SF and \$133.80 /SF, so a slight increase in the asking prices could be expected.

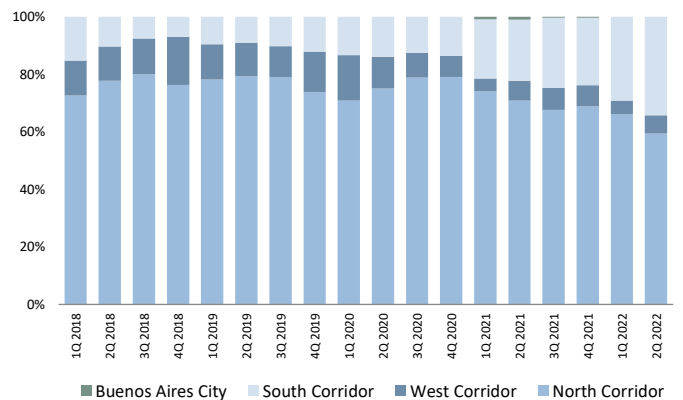
Composition of inventory (square feet)



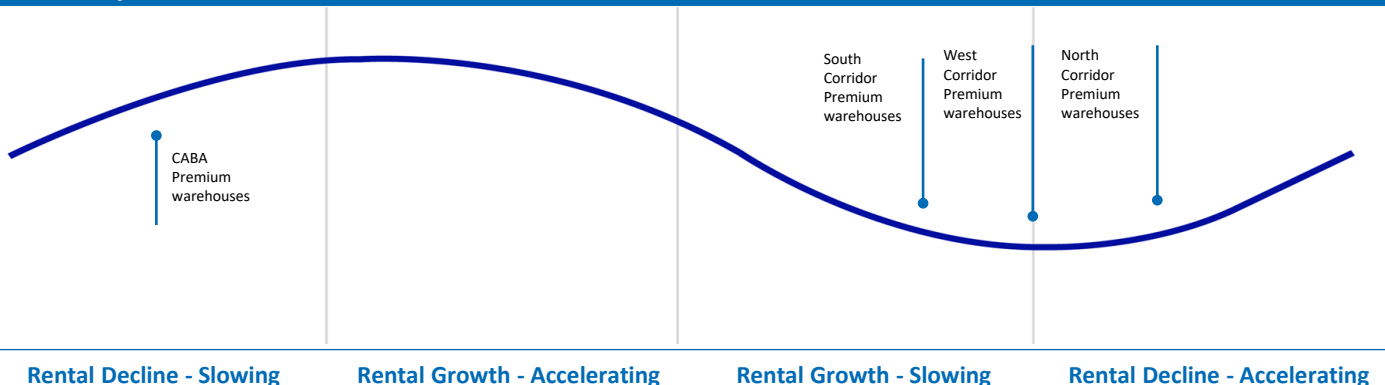
Asking Rent (US\$/SF/Month) 1Q 2018- 2Q 2022



Available Surface (SF) 1Q 2018- 2Q 2022



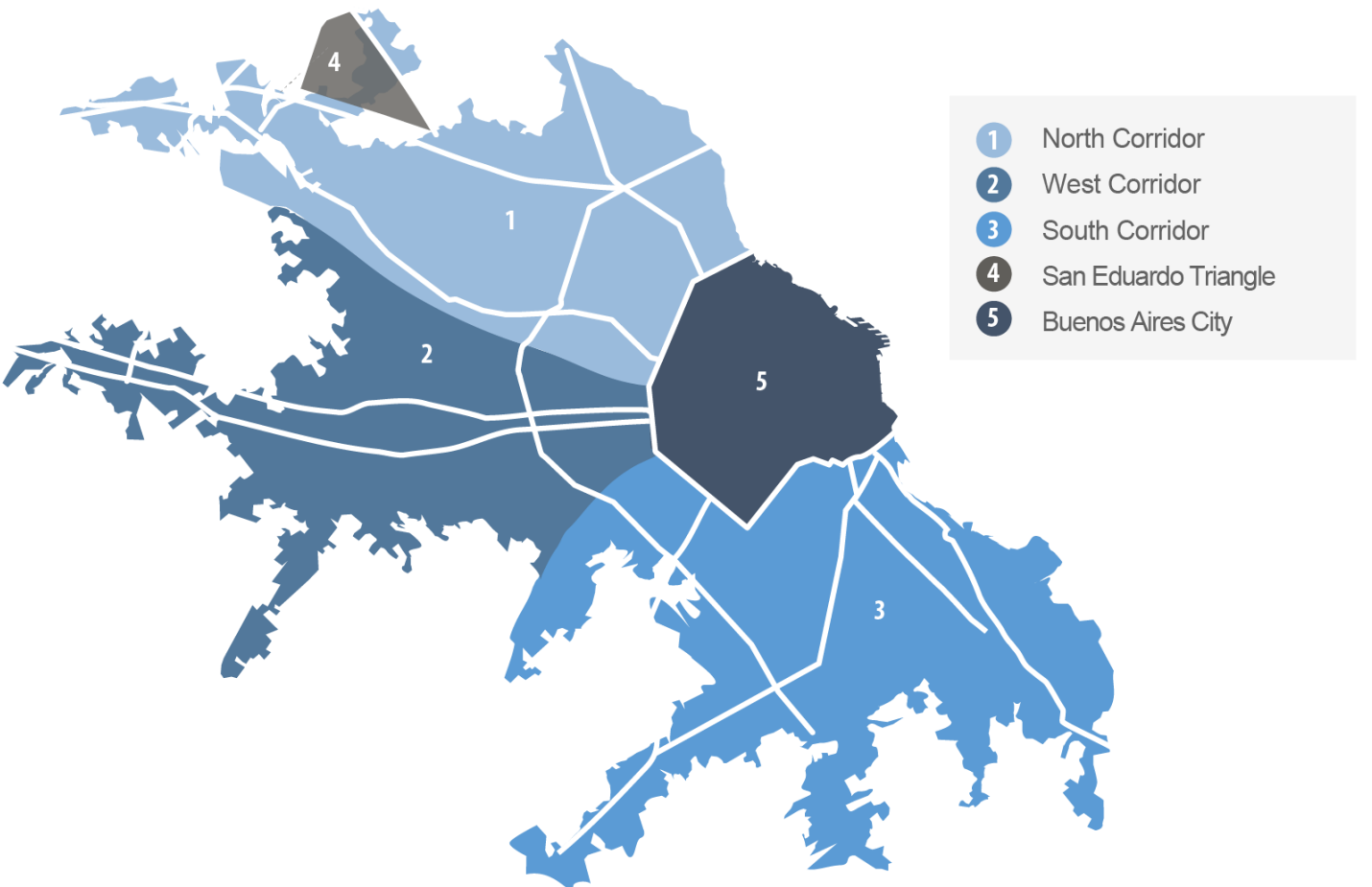
Real Estate Cycle



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	11,910,309.2	1,078,177	9.05%	538,518	387,500	\$ 7.75
West Corridor	983,282.3	114,851	11.70%	-	-	\$ 6.47
South Corridor	5,737,158.7	621,723	10.80%	88,695	376,737	\$ 7.06
Buenos Aires City (CABA)	462,847.7	-	-	-	-	\$ 8.70
Total	19,093,597.8	1,814,750	9.50%	627,212	764,237	\$ 7.49

Industrial and Logistics Parks	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Land Asking Sale Price (\$/SF)
North Corridor	348,535,082	236,052,327	67.30%	\$ 105.68
West Corridor	33,152,812	7,588,549,5	24.20%	\$ 96.76
South Corridor	141,760,563	20,881,966,0	14.80%	\$ 76.70
TOTAL	523,448,457	264,522,842.5	50.20%	\$ 93.04

Industrial market – Buenos Aires



Economic Outlook

High levels of uncertainty are noted within the global economic outlook. Slowdown in global GDP growth is expected to be 4.0% in 2022, as opposed to 6.1% in 2021.

The military conflict between Ukraine and Russia and the sanctions imposed will continue to affect the speed of growth of the world economy, as well as inflation, which is not expected to decrease in the short and medium term. This represents the risk of financial volatility, which may affect raw material supply chains and lack of confidence in institutions, generating a favorable climate for the increase of risk rates.

On the national scene, during the second quarter of 2022, the agreement with the IMF was closed, avoiding a default scenario. Fiscal and monetary consolidation policies and reserve accumulation resulted in greater adjustments on the foreign exchange market. These adjustments led to higher levels of monetary issue in recent quarters; within the framework of a monetary policy that remains lax, it would impose a high floor on inflation. This, in addition, will go up a step due to the corrections of rates and the depreciation of the currency. The recent changes in the economic cabinet have further aggravated the situation. Mistrust in the government has triggered the values of the MEP and CCL, which will have a direct impact on economic activity.

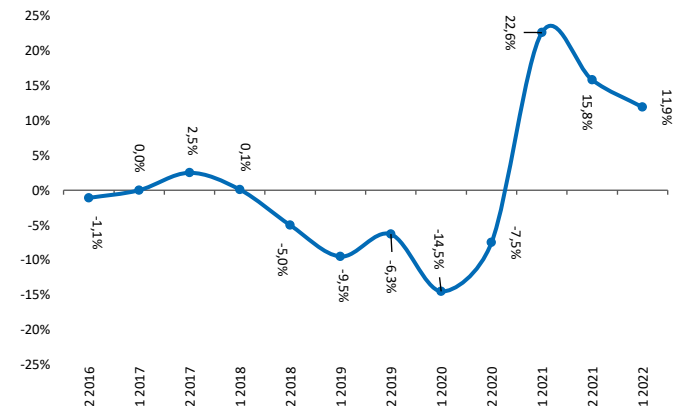
During the quarter, the highest increase since November 2021 was presented; it was a gradual increase, closing the period at 135 pesos per dollar. Future tax adjustments are expected on the exchange rates. The BCRA increase in interest rates, the sustained increase in inflation and the depreciation of the currency, among other factors, have a direct impact on the purchasing power of citizens. Instability and expectations for economic measures continue in the second half of the year.

Economic indicators 2Q 2022

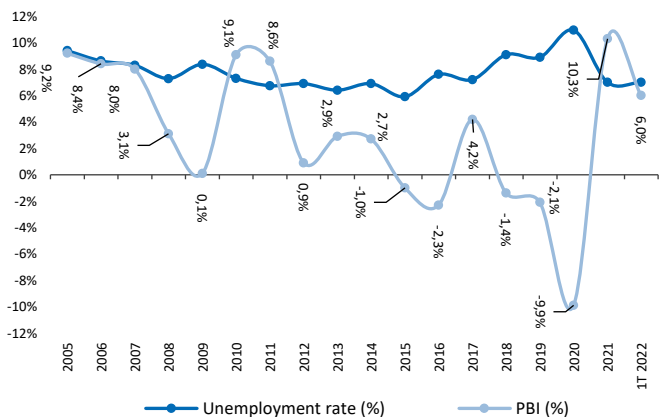
Capital City	Buenos Aires
Population (estimated 2021)	45,808,747
GDP MM	US\$ 413,161
GDP per capita MM	US\$9,019
Currency	Peso
Unemployment Rate	7.0 %



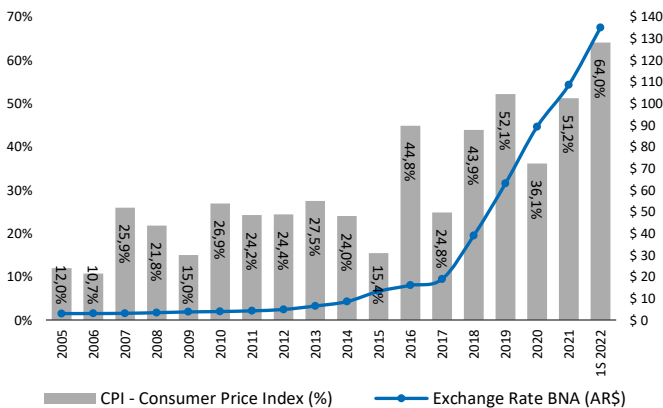
Manufacturing production index. Annual variation (%)



Unemployment rate (%). GDP : Percentage Variation



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



Source: Banco de la Nación Argentina, INDEC. 1999-2007/2015-2021 INDEC. 2008-2014 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)

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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).

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