



Buenos Aires Industrial Market

The market responds to the strengthening of the demand and starts the construction of over 1,15 million square feet.

Since the beginning of 2022, the market has shown a tendency towards recovery, not only through the reactivation of transactions but also of projects that had been on hold because of the pandemic.

For the third quarter of 2022, the market maintains positive indicators. The exponential growth of ecommerce has finally been replicated on the demand side, keeping net absorption positive and consolidating growth shown during the year. Up to the third quarter of 2022, it accumulated 1,168,959 square feet, which is close to the historical maximum recorded in 2018.

Rental values have entered a moment of stability. This presents the opportunity to take a leap to attractive values and expand operations in premium logistics centers.

In terms of production, projects that were paralyzed during the 2020-2021 period resumed in response to the shortage of supply and reduced availability in some areas. In contrast to previous periods' expectation of organic growth in demand, the destination of this construction has a more significant share of speculative surface and fewer build-to-suit contracts.

By 2023, 1,157,119 square feet are projected to enter the market; once again, the North Corridor is the one with the greatest development potential, at 63.0% of the area under construction.

Current Situation

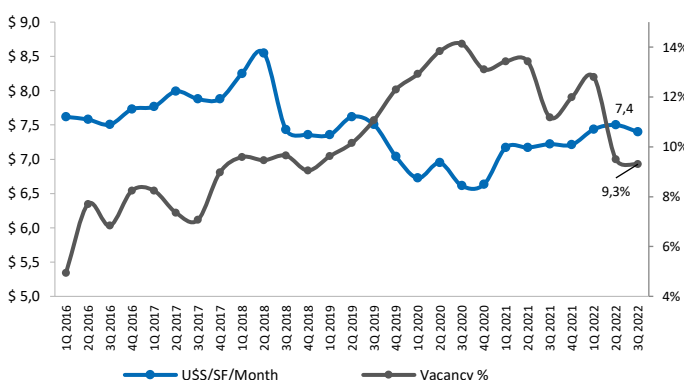
- The average rental value for Class A logistics centers did not change, closing at \$7.50 per square feet.
- The vacancy rate closed at 9.3%, representing a decrease of 0.2 percentage points compared to the second quarter of 2022.
- In the second quarter of 2022, the market continues the positive path, closing the period with net absorption of 33,583 square feet.

Market Highlights

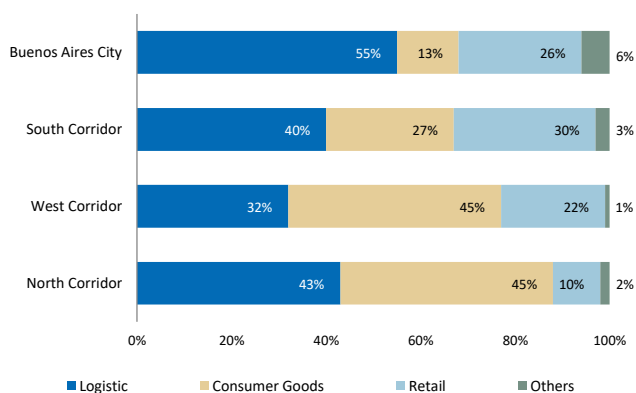
Premium Warehouse	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	19,09 MSF	19,09 MSF	24,0 MSF	↗
Availability Rate	9.3%	9.5%	15%	↘
Average Asking Rent	US\$7,4	US\$7,5	US\$6,5	→
Quarterly Net Absorption	33,5K	627,2K	370,3K	↗
Underconstruction	1,1M	764,2K	80K	↗

Market Analysis

ASKING RENT AND VACANCY. 1Q 2016- 3Q 2022



ACTIVITIES LOCATED BY ZONE IN PREMIUM WAREHOUSES – 3Q 2022



Offer

The quarter ended with 1,781,425 square feet available, a decrease of 13.1% compared to the same period of the previous year. With continued decline and no immediate inflows, supply is expected to grow by mid-2023.

The vacancy rate stood at 9.3%, with a downward trend, and closed 0.2 percentage points lower than in the previous period. The North Zone presented the lowest vacancy rate of the period with 8.5%, varying one percentage point to the previous quarter.

Regarding rental values, there were no major variations about the previous period and there was some stabilization. This is despite the continuous decrease in the available area, which could present opportunities for relocation. North Zone maintains the highest values, at \$7.50 per square feet, while South Zone remains at \$6.50 per square feet, averaging \$7.50 per square feet.

Demand

Net absorption continued to show positive values, as observed during the first half of the year, ending the period at 33,583 square feet and an accumulated 1,168,851 square feet so far this year. This value is remarkable as it is close to the historical maximum presented in 2018, surpassing the combined absorptions of the 2019 to 2021 period, a figure that demonstrates the recovery of the market.

The North Corridor continues to present the highest positive net absorption, with 64,583 square feet; the South Zone released more area than was leased, so the net absorption closed in negative values.

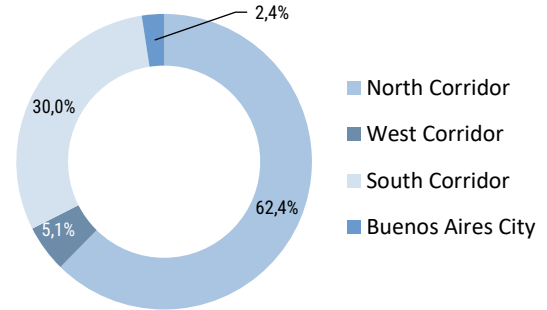
Future Surface Area

By the first half of 2023, 1,157,119 square feet are expected to be added, 62.8% in the North Zone and 37.2% in the South Zone.

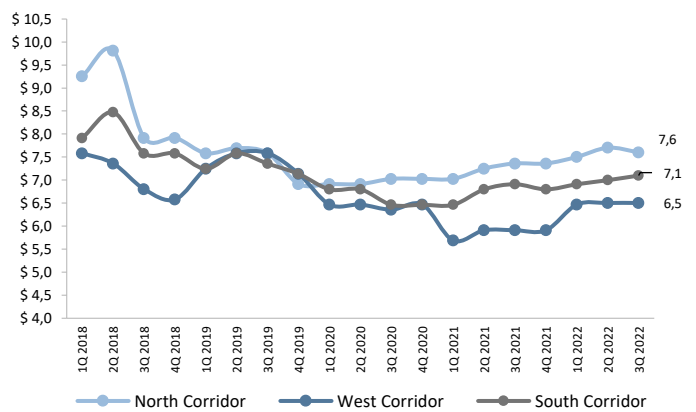
Industrial Parks

Regarding land for sale in industrial parks, the market continues to prefer the North Zone, where 12.4 hectares were transacted, with sales values ranging between \$78.00/SF and \$183.90/SF.

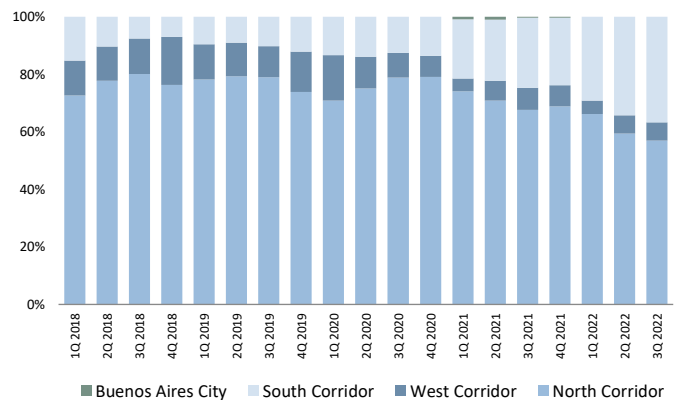
Composition of inventory (square feet)



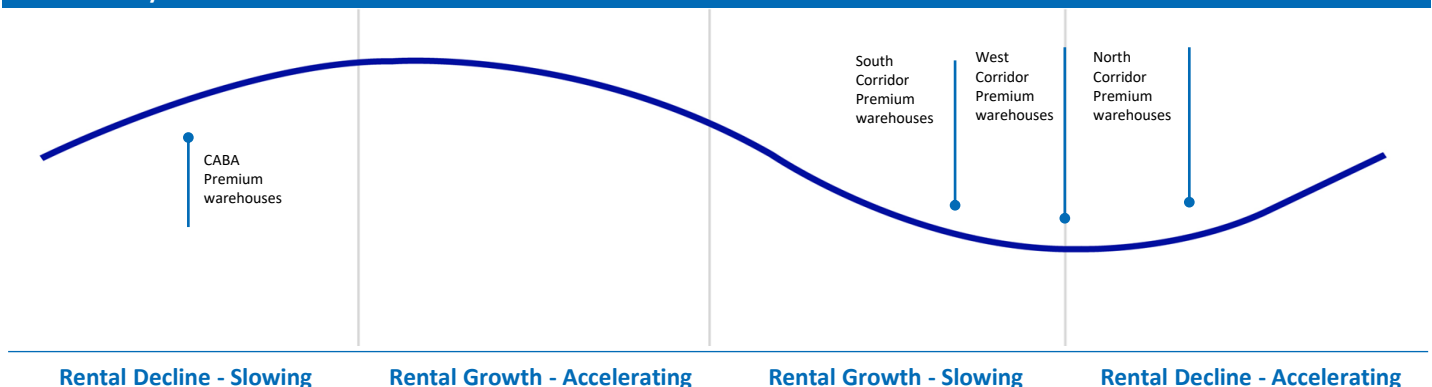
Asking Rent (US\$/SF/Month) 1Q 2018- 3Q 2022



Available Surface (SF) 1Q 2018- 3Q 2022



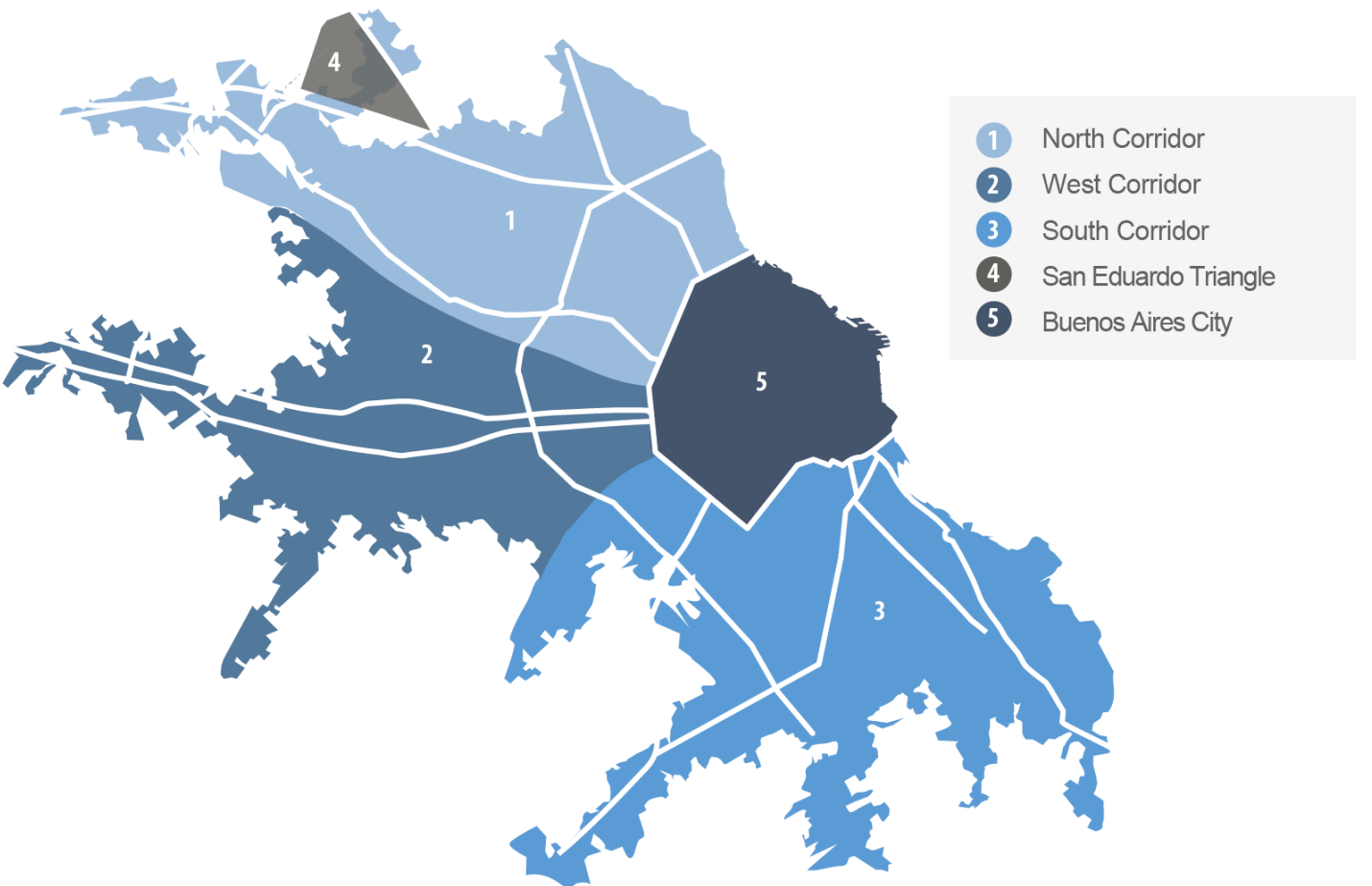
Real Estate Cycle



Market Statistics						
Premium Warehouses	Total Inventory (SF)	Total Availability (SF)	Availability Rate (%)	Qtr. Absorption (SF)	Under Construction (SF)	Average Asking Rent (\$/SF/month)
North Corridor	11,910,309	1,013,593	8.5%	64,583	726,563	\$ 7.6
West Corridor	983,282	114,851	11.7%	0	-	\$ 6.5
South Corridor	5,737,159	652,723	11.4%	-31,000	430,556	\$ 7.1
Buenos Aires City (CABA)	462,848	-	-	-	-	\$ 8.7
Total	19,093,598	1,781,167	9.3%	33,583	1,157,119	\$ 7.4

Industrial and Logistics Parks	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Land Asking Sale Price (\$/SF)
North Corridor	34,854	23,315	66.9%	110.1
West Corridor	3,315	759	22.9%	63.0
South Corridor	14,176	2,088	14.7%	71.3
TOTAL	52,345	26,167	50.0%	81.5

Industrial market – Buenos Aires



Economic Outlook

The third quarter of 2022 is taking place in a context of a weakened economy, aggravated by the acceleration of inflation and marked by restrictions on access to the foreign exchange market, even for importing production inputs.

To restore international reserves, during September, the BCRA implemented a differentiated exchange rate for exporters of the soybean complex. With this, it was able to buy \$5.0 billion in the month. In October, a special exchange rate for the tourism and cultural events was added to this measure.

The FMI carried out the second review of the program to evaluate the goals for the second quarter of 2022; despite the failure to meet the goal, the agency disbursed \$3.8 billion since. Thanks to the "soy dollar," the goals for the third quarter of 2022 could also be met.

The trade balance is affected by commodity prices from opposite sides: on the one hand, the high price of agricultural products is driving exports in a sustained manner, but on the other hand, the jump in the price of energy triggers imports, which could lead to a further deepening of the multiple exchange rate scheme.

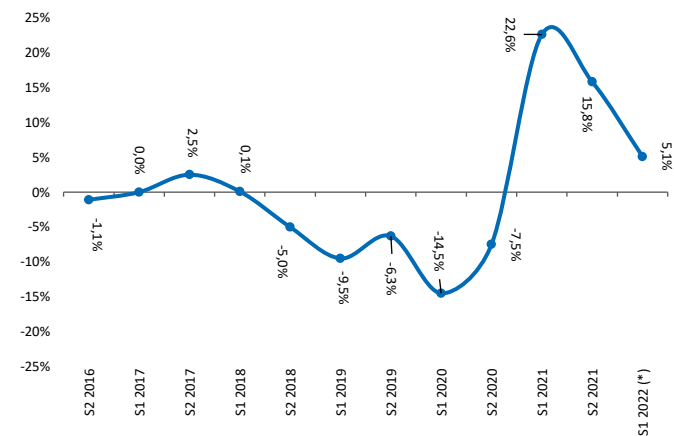
On the positive side, the unemployment rate fell more than expected (6.9% in the second quarter of 2022), although it hides a high degree of informality observed in the labor market. Formal employment reduces its share in total employment, while the percentage of informality reaches high levels from a historical perspective.

Economic indicators 3Q 2022

Capital City	Buenos Aires
Population (estimated 2021)	45,808,747
GDP MM	US\$ 510,886
GDP per capita MM	US\$11,152
Currency	Peso
Unemployment Rate	6.9 %

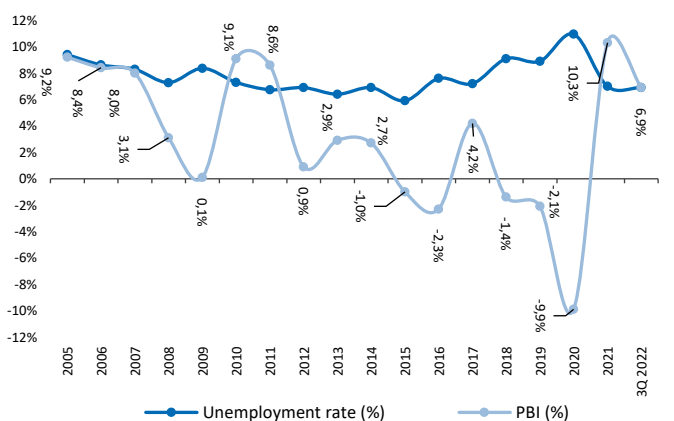


Manufacturing production index. Annual variation (%)



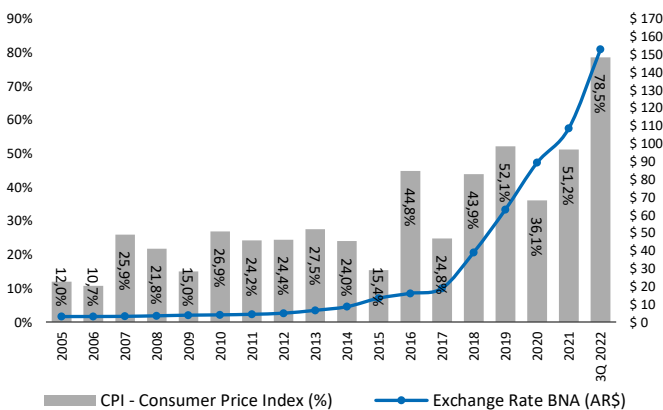
Source: INDEC
(* July 2022)

Unemployment rate (%). GDP : Percentage Variation



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

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.

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

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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