

Market Validates the Industrial Sector

End of 2022

1.5 millions

Annual Ac. Net Absorption
(square feet)

1.8 millions

Underconstruction
(square feet)

8.1 USD

Average
asking rent

7.4%

Vacancy

During 2022, the industrial market witnessed an acceleration in demand, closing its balance sheet with positive indicators, positive annual net absorption and increasing values, as well as a downward-trending vacancy rate. Favorable indicators and diversification of investments with a return close to 7% per year have produced an increase in demand for both occupants and traditional and nontraditional investors in this sector. All seek to expand and diversify their portfolios and protect their assets against an economic context of exchange restrictions.

The exponential growth of ecommerce has been positively strengthening the demand in the logistics sector, according to data from the Argentinian Chamber of Commerce. Ecommerce grew by 73.0% in the first half of 2022 compared with the first half of 2021. If this level of demand continues, a shortage of industrial spaces is expected in early 2023 due to the low production of new warehouses and high market demand.

During the year, important land transactions were registered. This behavior is expected to continue during 2023. In turn, it is expected that sales transactions will speed up, especially by companies with high cash liquidity, as a capital protection strategy.

Current Situation

The North Corridor continues to show the highest demand, concentrating all the operations carried out during the period, while the vacancy rate of the corridor is at historical lows, consolidating it as the most desired area by both companies and developers.

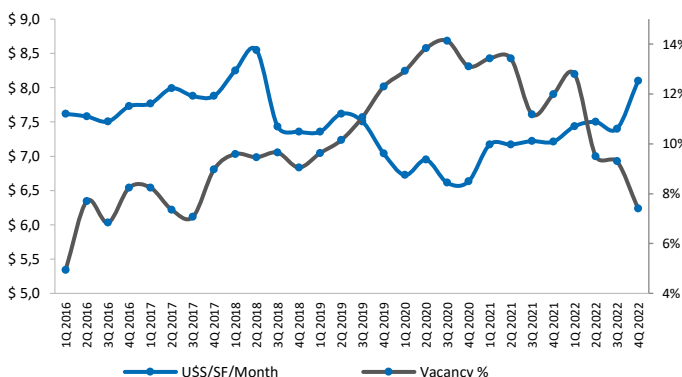
Currently, over 1.8 million square feet are under construction, which will be incorporated into the market throughout 2023 and 2024, with 73.6% in the North Zone and 26.4% in the South Zone. Developers continue to bet on growth. Approximately 1.2 million square feet of new space is expected during 2023 to satisfy market demand.

Market Highlights

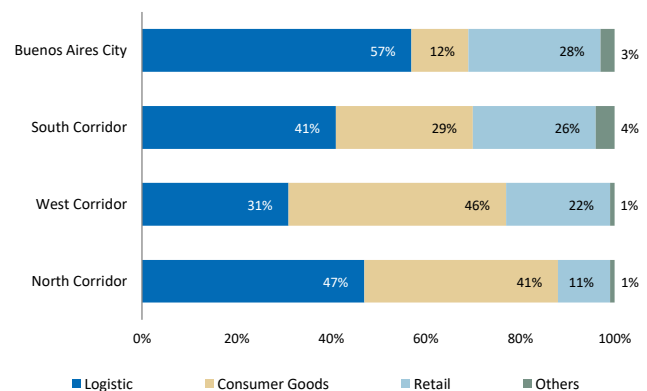
Premium Warehouse	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	19,09 MSF	19,09 MSF	18,34 MSF	↗
Availability Rate	7.4%	9.3%	12,0%	↘
Average Asking Rent	US\$8.1	US\$7,4	US\$7.2	→
Quarterly Net Absorption	363,4K	33,5K	-146,2K	↗
Underconstruction	1,8M	1,1M	850K	↗

Market Analysis

ASKING RENT AND VACANCY. 1Q 2016- 4Q 2022



ACTIVITIES LOCATED BY ZONE IN PREMIUM WAREHOUSES – 4Q 2022



Offer

The quarter ended with over 1.4 million square feet available, a decrease of 35.5% compared to the same period of the previous year. New space is expected during the first quarter of 2023.

The vacancy rate was a downward-trending 7.3%, closing with 1.8 percentage points less than the previous period. North Zone presented the lowest vacancy of the period with 5.5%, reaching historical lows at three percentage points lower than the previous quarter.

There were no major variations in rental values compared with the previous quarter, although there was a slight upward trend of \$0.60/SM. The South Zone presented the highest asking price, at \$8.90/SM, while the West Zone remained at \$6.50/SM, averaging \$8.10/SM.

Demand

Net absorption in the fourth quarter of 2022 ended positively, with 363,454 square feet and an annual accumulated total of 1,532,306 square feet, close to the values presented in 2018. The greatest variation occurred in the North Zone, with a decrease of 46.1% compared with the same period of the previous year.

The greatest movement occurred in the North Corridor, with 363,454 square feet of positive absorption and with an accumulated annual total of 1,308,847 square feet, which represents 85.4% of the net annual absorption of the market, confirming the corridor as the most in demand by companies and developers.

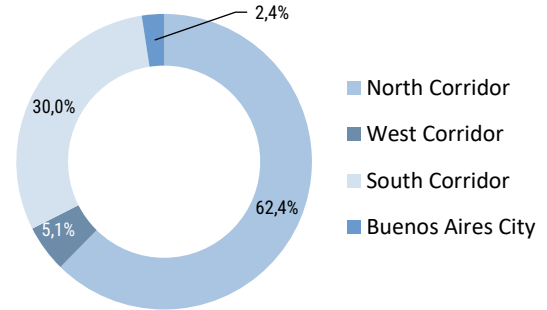
Future Surface Area

Currently, over 1.8 million square feet are under construction, of which over 1.2 million square feet will enter the market in 2023 and the remaining 592,015 square feet will enter in 2024. Of the total space under construction, 1.35 million square feet (73.6%) are in the North Zone and 484,376 square feet (26.4%) are in the South Zone.

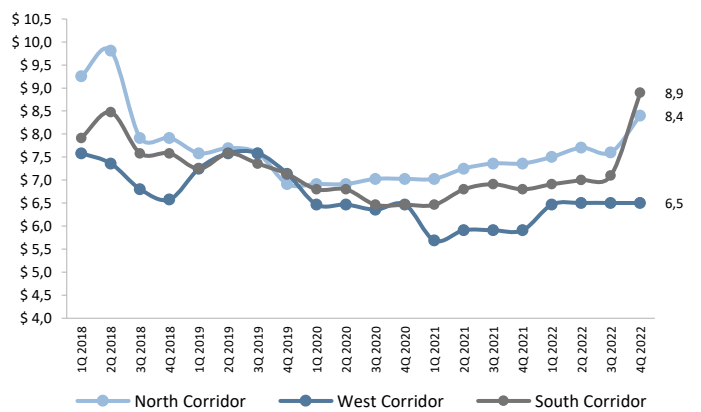
Industrial Parks

Available industrial park space did not change during the fourth quarter of 2022. Sales values remain between \$72.50/SF and \$110.40/SF..

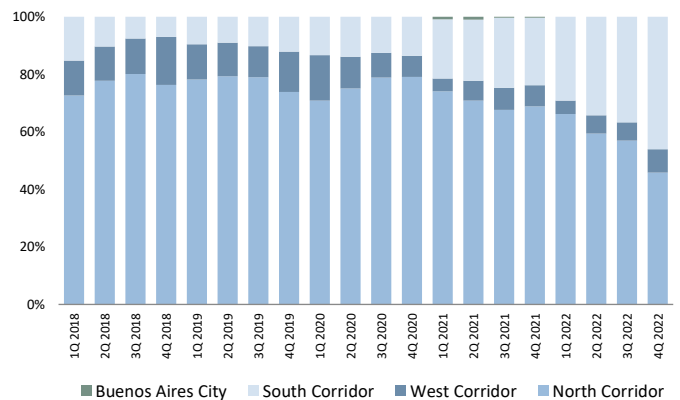
Composition of inventory (square feet)



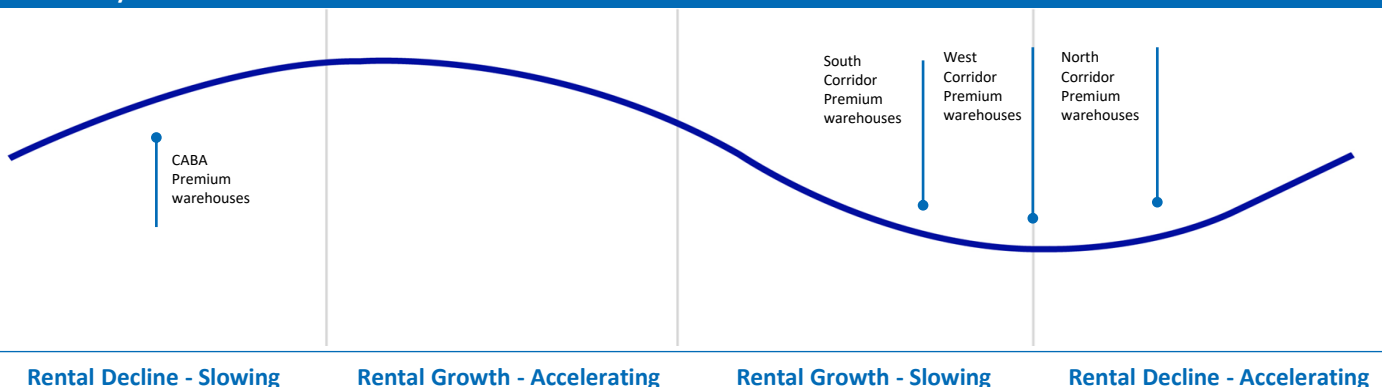
Asking Rent (US\$/SF/Month) 1Q 2018- 4Q 2022



Available Surface (SF) 1Q 2018- 4Q 2022



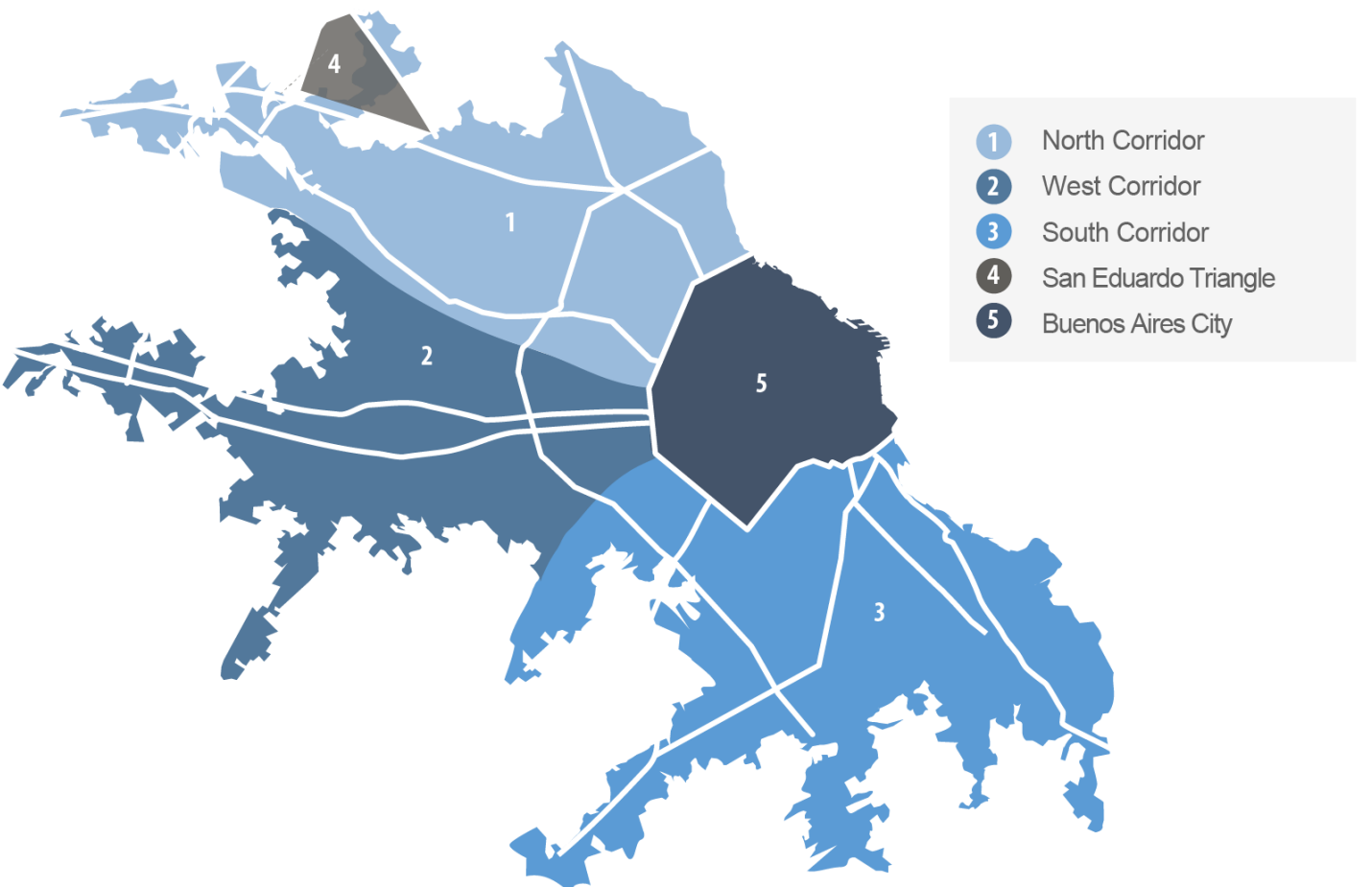
Real Estate Cycle



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	650,140	5.5%	363,454	1,350,869	\$ 8.4
West Corridor	983,282	114,851	11.7%	-	-	\$ 6.5
South Corridor	5,737,159	652,723	11.4%	-	484,376	\$ 8.9
Buenos Aires City (CABA)	462,848	-	-	-	-	\$ 8.7
Total	19,093,598	1,417,713	7.4%	363,454	1,835,245	\$ 8.1

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 year 2022 closed with many expectations regarding economic and political development for the 2023 election year. The International Monetary Fund maintained economic projections for Argentina, which estimated a growth rate of 2.0% in 2023, with context of a strong global slowdown.

Despite this, Argentina grew more than projected for 2022, reaching 5.9% per year, so it could meet the payment commitments set for 2022.

2023 is expected to be a year of transition in the market. Electoral years often generate uncertainties regarding the future, in addition to concerns around debt and payment commitments. The rise in inflation has translated into a loss of purchasing power and a slowdown in the general economy, leading the population to seek protection against this scenario.

This combination of risk factors makes it difficult to forecast the short-term future of the country's economy, especially because of the proximity of an election year. Expect the market to enter a wait-and-see period.

The exchange rate continues to increase by approximately 6.5% per month, slightly above inflation, with a year-over-year increase of 72.1%, closing the period at 184.75 pesos per BNA dollar.

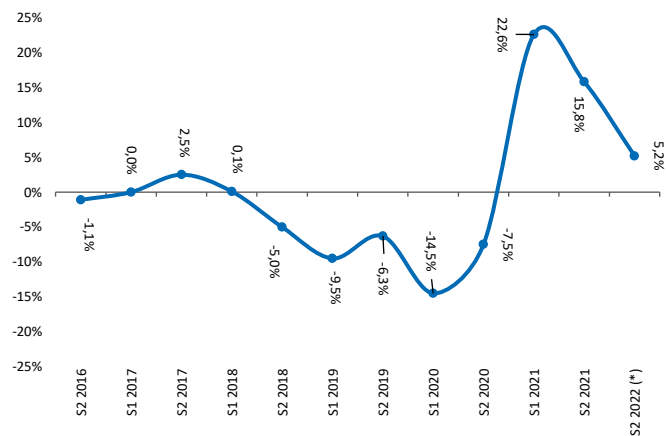
In addition, new adjustments in taxes on the rates of the different exchange rates are expected.

Economic indicators 4Q 2022

Capital City	Buenos Aires
Population (estimated 2021)	46.234.830
GDP MM	US\$ 585.621
GDP per capita MM	US\$ 12.666,24
Currency	Peso
Unemployment Rate	7,1 %

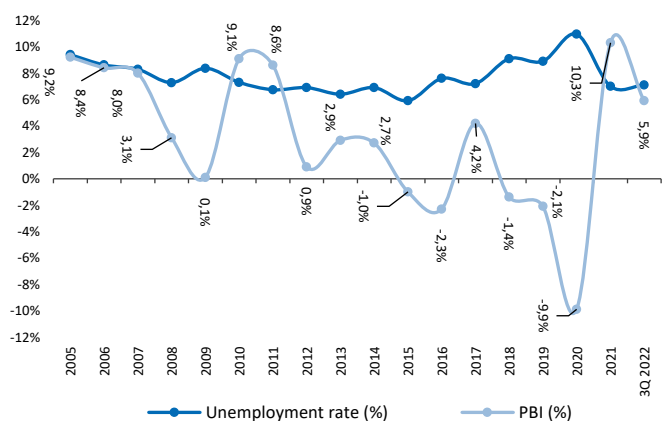


Manufacturing production index. Annual variation (%)



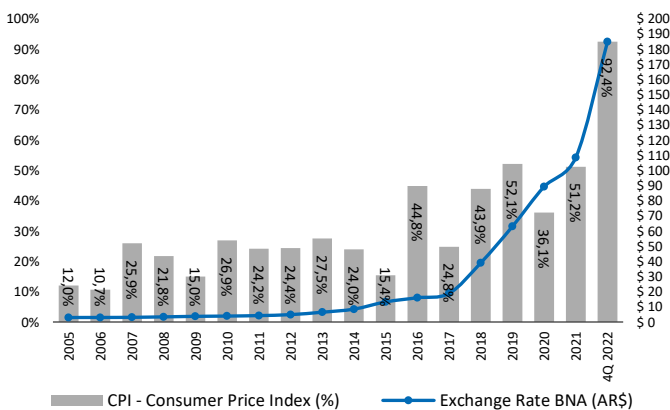
Source: INDEC
(*) November 2022

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.

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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).

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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