



Latin America Industrial Market

High Volume of Activity

Buenos Aires, Argentina

During the second half of 2022 the market witnessed increased demand, with its balance closing with positive indicators and a decreased availability index of 7.5%, approaching historical lows. This factor, together with an annual yield of 7%, has led to increased demand from both occupants and traditional and non-traditional investors in this sector. Purchase transactions are therefore expected to be expedited, especially for companies with high peso liquidity, as a hedging strategy.

Río de Janeiro, Brazil

This market recorded a drop in occupancy levels during the last two quarters of the year, leading to a cumulative annual net absorption of -13,000 m². In addition to the high volume of freed up space, the delivery of new inventory pushed the availability index up from 13.1% to 16.8% at year-end. The drop in occupied space was driven by major tenants from the industrial and retail sectors. At year-end, the rental price stood at R\$20.80, down 2% in the quarter but still 8% higher than the previous year.

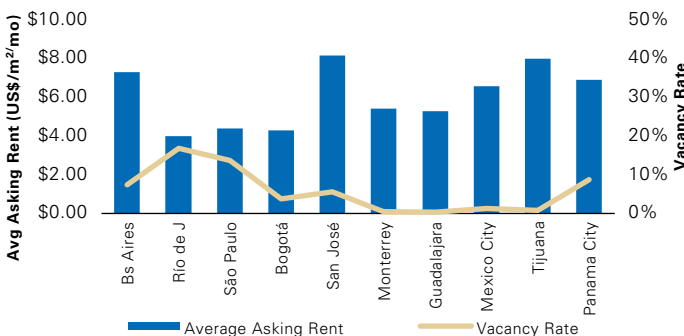
Current Conditions

- Inventory came to over 57 million m², while the vacancy rate fell again, reported at 5.2% on average in the region.
- Half-yearly absorption recovered significantly, with almost 2.5 million m². Volumes in Sao Paulo and Monterrey were especially relevant.
- Rental prices remained very stable, averaging US\$4.92/m² /month.

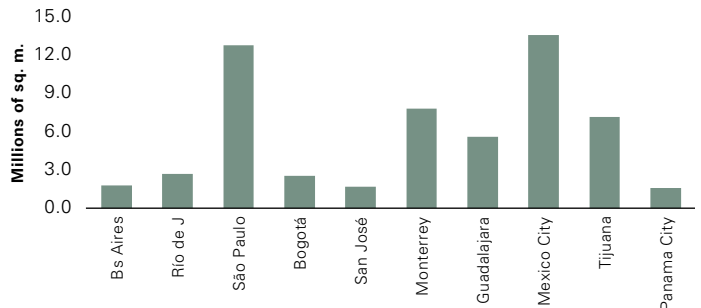
Market Summary

	Current Semester	Previous Semester	12-month forecast
Total Inventory (m ²)	57,20M	54,69M	↑
Vacancy Rate	5,2%	5,7%	→
1H Absorption (m ²)	2,47M	1,97M	→
Average Asking Rate (USD/m ² /month)	\$4,92	\$4,90	↑
Under Construction (m ²)	5,20M	3,60M	→

Average Lease Rate and Vacancy Rate



Total Inventory per City



Sao Paulo, Brazil

São Paulo's Class A inventory grew by 1.66 million m² in 2022, 33% up on the previous year and well above the historical annual average of 591,000 m² (2014-2021). The market, following the trend of the last two years, enjoyed positive indicators throughout 2022. A new annual net absorption record was achieved: 1.25 million m² (vs. 1.14 million m² in Q4 2021), higher than the historical average of 581,000 m² (2014-2021). The availability index rose in the last two quarters due to the high volume of new inventory delivered but not yet occupied.

San Jose, Costa Rica

The dynamic industrial market recorded an availability index of 5.5%, thanks to specialized, custom-built facilities. There are currently 191,260 m² under construction, distributed among 18 projects and with a pre-sale rate of 70%, revealing a highly competitive supply. The second half of 2022 witnessed an accumulated net absorption of 429,962 m², accounted for largely by the Alajuela submarket. New inventory includes the entry and expansion of projects such as Zona Franca BES with 21,569m², La Lima Free Zone with 20,000 m² and Blum Business Park with 4,840 m².

Bogota, Colombia

During the second half of 2022, the suspension of construction projects and expansions by domestic companies, waiting for the new government's political decisions and tax reforms, was felt. In contrast, foreign companies have moved ahead with their local projects, taking up warehouse space in suburban areas such as Calle 80. The availability index in the second half of the year continues to drop, as a result of the absence of speculative projects to boost the availability of Class A warehouses.

Mexico City, Mexico

The industrial market has grown exponentially since the beginning of the year. In the second half of 2022, inventory closed at 13.5 million m², up almost 350,000 m² compared to the previous period. More than 500,000 m² of speculative premises are expected to be delivered by 2023, most of which will be offered in the CTT. Absorption during this period grew significantly given that the previous semester had closed at 10,036 due to the presence of negative absorptions. However, absorption in the second semester came to almost 300,000 m².

Guadalajara, Mexico

The second half of the year was characterized by a drop in the market availability index, which influenced the fall in gross and net absorption. The availability index was down from 1.6% to 0.3% between the first and second half of 2022. In turn, gross absorption closed at 180,227 m², with net absorption at 16,699 m². At the same time, the drop in availability led to an increase in construction area (34%), while starting prices rose from \$5.13 to \$5.30 dollars per square meter per month.

Monterrey, Mexico

Gross absorption of more than 786,000 m² was recorded in the second half of the year. When added to absorption during the first half of 2022, it once again reached a historical figure of 1.27 million m² in the market (in 2021 it reached 1.26 million m²). This industrial demand in the market gave rise to an availability index of 0.5%, which means only 41,300 m² in available space. Space under construction closed the year with a new milestone: over 1.16 million m².

Tijuana, Mexico

In an extremely lively year for the city, prices reached an all-time high in the history of the sector. Investors and developers from all over the country - and even the continent - wanted to enter the market. Some succeeded, while others are still exploring alternatives to get there. The industrial market is moving at a pace that is difficult to match, with record low availability levels and construction projects that will not be open to the market for months to come.

Panama City, Panama

During the second half of the year, the industrial market was very buoyant as a result of increased domestic consumption, transit through the Inter-oceanic Canal and the approval of incentives for the installation of manufacturing companies. Supply growth was concentrated in the Reverted Areas and the Eastern Periphery, where more than 200,000 m² are currently under construction. As for demand, developments such as Panama Pacífico and Panapark had the highest occupancy levels, especially regional and global logistics operations.

Stats per City					
	Total Inventory (million m ²)	Under Construction (million m ²)	Vacancy Rate	2H Absorption (m ²)	Average Asking Rate (USD/m ² /month)
Buenos Aires	1.77	0.17	7.4%	36,886	\$7.30
Río de Janeiro	2.68	0.12	16.8%	(94,259)	\$3.99
Sao Paulo	12.77	2.00	13.7%	683,268	\$4.39
Bogota	2.54	0.22	3.8%	146,800	\$4.28
San Jose	1.68	0.19	5.5%	429,962	\$8.15
Monterrey	7.80	1.16	0.5%	752,746	\$5.43
Guadalajara	5.60	0.30	0.3%	16,669	\$5.30
Mexico City	13.60	0.50	1.3%	292,900	\$6.59
Tijuana	7.16	0.33	0.9%	165,376	\$8.00
Ciudad de Panamá	1.57	0.20	8.8%	43,127	\$6.92
Total	57.20	5.20	5.2%	2,473,504	\$4.92

Economic Conditions

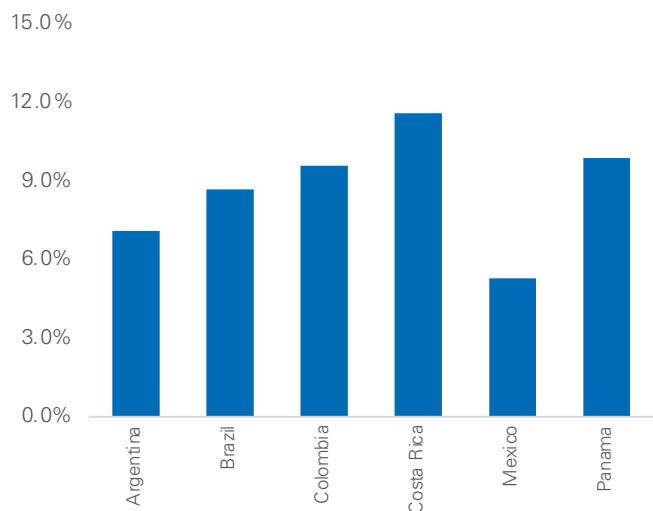
Argentina

The second half of the year closed with an uneasy outlook pertaining to the economic and political conditions, especially considering the 2023 elections and the global inflationary pressures. Despite this, the country’s GDP grew more than expected for 2022, reaching 5.9% annual growth.

The year 2023 is expected to be a year of transition for the market. Being an electoral year, this will create uncertainty regarding the future. The inflationary pressures have translated into lower purchasing power and a slowdown of the economy overall, resulting in a population that seeks safe havens to weather these events. This combination of risk factors makes it difficult to provide an accurate short-term forecast of the country’s economy. Therefore, the market will likely enter a cautious wait-and-see period.

Unemployment Rate

PER COUNTRY



Brazil

Economic activity in Brazil continues expanding, albeit at a slower pace and in a less homogeneous fashion. This trend has led to adjustments in the country's GDP growth forecast, changing from 2.9% in 2022 to less than 1.0% in 2023. This is attributable to higher interest rates, smaller credits, limited investments in the private sector, concerns about government finances, and various international partners undergoing crises of their own. Weaker economic dynamics should result in a smaller labor market, less spending per household, and investors preferring to choose other markets other than Brazil. Fears of increasing costs enacted by the new federal government are already impacting the financial markets, with the national economy currently on alert.

Colombia

As reported by the Organization for Economic Cooperation and Development (OECD), the Colombian economy will undergo an 8.1% growth for 2022. This is due to strong internal consumption, recovery in exports, and a belated effect of the expansive policies adopted shortly after the Covid-19 emergency started. By contrast, the forecast for 2023 is a decelerating economy, whereby GDP will expand less than 1%. After this reduction, the Colombian economy is forecasted to grow less than 3% annually.

Three economic factors weigh down on the country's economic outlook: growing inflation, interest rate hikes, and volatility in the US dollar exchange rate.

U.S. Dollar Exchange Rate						
Country	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Argentina	104	100	116	130	153	185
Brazil	5,44	5,58	5,08	4,96	5,26	5,21
Colombia	3.834	4.000	3.885	3.953	4.438	4.868
Costa Rica	630	645	667	692	636	602
Mexico	20,33	20,89	20,31	20,05	20,20	19,50

Source: Banco Nacional Argentina, Banco Central de Costa Rica, investing.com

Costa Rica

Factors such as exchange rates, inflation, reactivation of the job market, and international indicators are the main drivers of economic recovery. In December 2022, headline inflation reached a yearly expansion of 7.9%, as measured by the Consumer Price Index (IPC in Spanish). National productivity reached a yearly variation rate of 3.2% in November 2022, as measured by the cyclical series of Economic Activity Monthly Index (IMAE in Spanish). The US dollar exchange rate (considering the sale reference price for December 31, 2022) was ₡601.99, which represents a considerable drop since July 2022. Versus the rate for the same month in 2021, this is a -6.7% variation. Finally, Gross Domestic Product (PIB in Spanish) growth forecasts are at 2.3%.

Mexico

Banxico (Mexico's central bank) forecasts a GDP growth of 3.5% for 2023. This is due to an increase in public investment for the development of infrastructure, as well as investments in the private sector. Mexico is a country with major strategic advantages due to its geographic location, which allows it benefit from various trade agreements.

There is a positive growth outlook for the Mexican economy, despite the expected persistence of high inflation. Experts believe that the Banxico will continue raising interest rates to further cement the viability of these forecasts. Notwithstanding this, inflationary pressures will continue causing relevant impacts and clashes due to external factors

Panama

According to the World Bank, the Panamanian economy displayed strengthened recovery trends throughout 2022, leading the region's economic growth with a GDP growth rate of 11.0%. The Authority of the Panama Canal, ports, railroad, airports, and projects to expand the road infrastructure and Line 3 of the Metro subway are the major drivers of this growth. Regarding foreign investment, there was also an 18.21% growth versus 2021. This trend is likely to continue due to the incentives the government offers through its various special tax schemes. Economic recovery is also reflected on a decrease in the total unemployment rate, which contracted from 11.3% to 9.9% as of the end of the year.

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