



# Buenos Aires Industrial Market

## Industrial Market Remains Strong

During the first quarter of 2023, the industrial market continued to be in high demand, registering a vacancy rate with historical lows of 3.1%.

Demand has been concentrated mainly in logistics, consumer products companies and other sectors seeking to expand their inventories due to possible restrictions on imports.

New additions have been registered in the South Zone, corresponding to speculative space, which has generated negative absorption for the first time since the second quarter of 2022. Prices have remained stable, which represents an opportunity for those in search of premium spaces.

Although construction has been reactivated, the arrival of new developments will be limited and is expected towards the end of the year. This context of shortage could put some downward pressure on the vacancy rate; as a result, prices could experience an upward rebound.

Despite the complex macroeconomics in the country, the logistics center market continues to be very healthy, driven by the strength of demand. The need to maintain value is attracting more investors to the sector, where there has been an increase in transactions involving the sale and acquisition of logistics space. There is growing interest in land that is suitable for the development of logistics centers.

### Current Situation

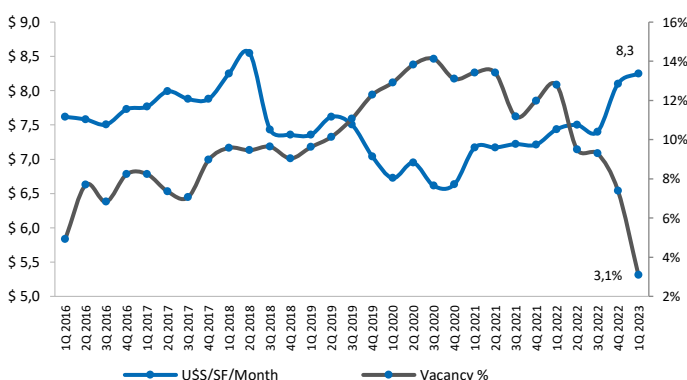
- The average rental value for Class A logistics centers had minimal variations, closing at \$8.25/SF.
- The vacancy rate closed at 3.1%, reaching historic lows.
- The first quarter of 2023 closed with a negative net absorption of 204,514 square feet.

### Market Highlights

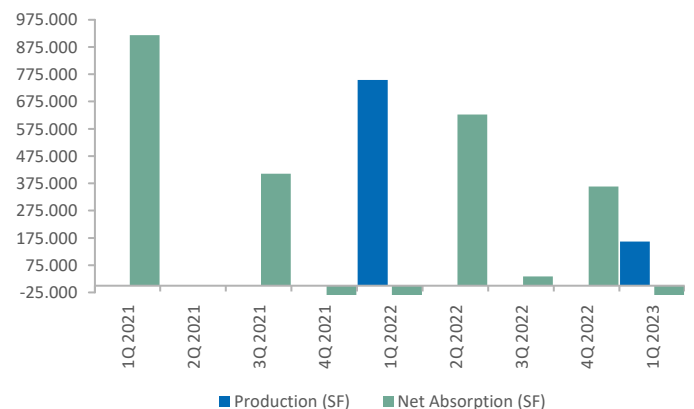
Premium Warehouse	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	16,81 MSF	16,65 MSF	16,65 MSF	↗
Availability Rate	3,10%	1,90%	8,00%	↘
Average Asking Rent	US\$8.3	US\$8.1	US\$7.4	→
Quarterly Net Absorption	-204K	363K	-245K	↗
Underconstruction	2,4M	2,5M	2,5K	↗

### Market Analysis

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



QUARTELY NET ABSORPTION AND PRODUCTION. 1Q 2021 - 1Q 2023



## Offer

The vacancy rate reached 3.1%, with a downward trend. The TSE zone had the lowest vacancy in the North Zone, with 0.7%.

During the quarter, 161,459 square feet were incorporated into the South Zone, entering fully available. Availability closed at 518,174 square feet for the period, an increase of 65.2% over the previous quarter.

Availability is now distributed in similar proportions; approximately 51% in the North Zone and 49% in the South Zone, which represents a variation compared to the previous period, where most of the availability was concentrated in the North Corridor.

The rental values have entered a period of stability, and a slight increase can be expected due to the low offer in the market.

## Demand

Net absorption for the quarter ended at negative 204,514 square feet, contrary to the positive trend observed since the second quarter of 2022.

The most significant movement occurred in the South Corridor, with 161,459 square feet of negative absorption, which represents 80.0% of released space. It should be highlighted that the rest of the market did not present any movement due to the few meters available within the corridors.

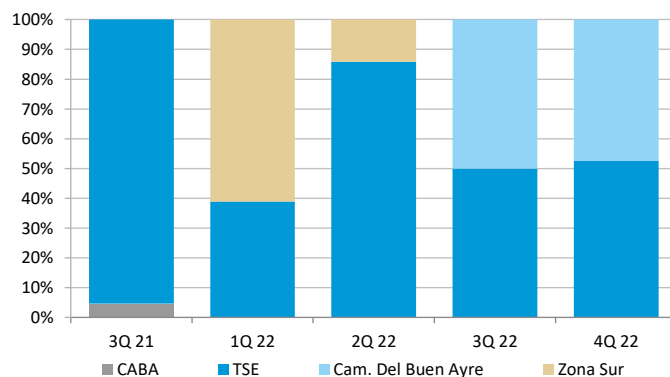
## Future Surface Area

Currently, over 2.4 million square feet of space are under construction. Of this total, 80.0% is located in the Northern Zone, distributed among TSE (31.4%), the Escobar-Campana-Zárate Corridor (24.5%) and Pilar-Fátima (24.1%). The remaining 484,376 square feet are located in the Southern Zone.

As for the total future supply, one of the main developers in the market, Plaza Logística, will incorporate 51.4% of the surface and the remaining 48.6% from other developers.

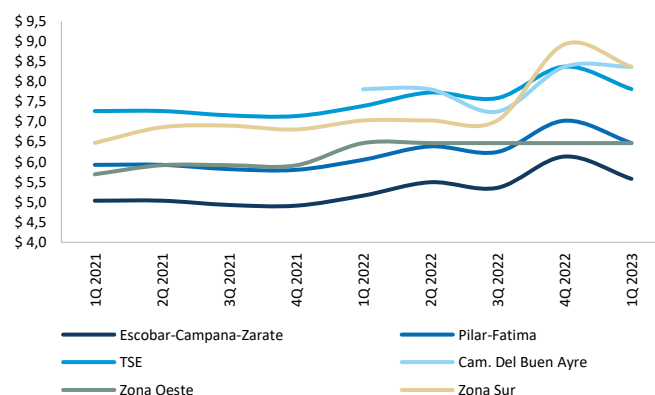
There are new investors showing interest in the logistics and industrial sectors. The return on investment, scarce supply and price stability provides an opportunity for asset diversification.

## Quarterly Gross Absorption by Submarkets 2021 -2022

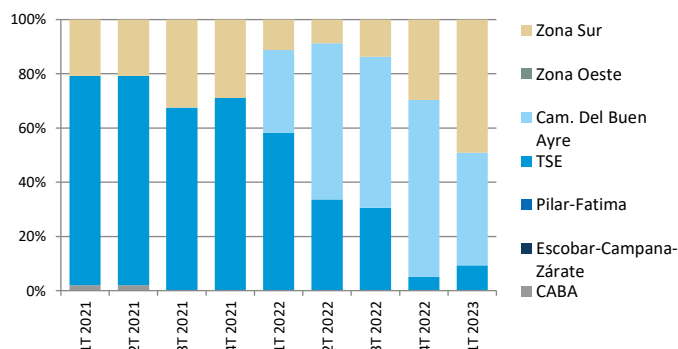


**North Corridor:** TSE, Cam. Del Buen Ayre, Escobar- Campana-Zárate, Pilar-Fátima  
**South Corridor:** South Corridor, **West Corridor:** West Corridor  
**CABA:** Ciudad Autónoma de Buenos Aires

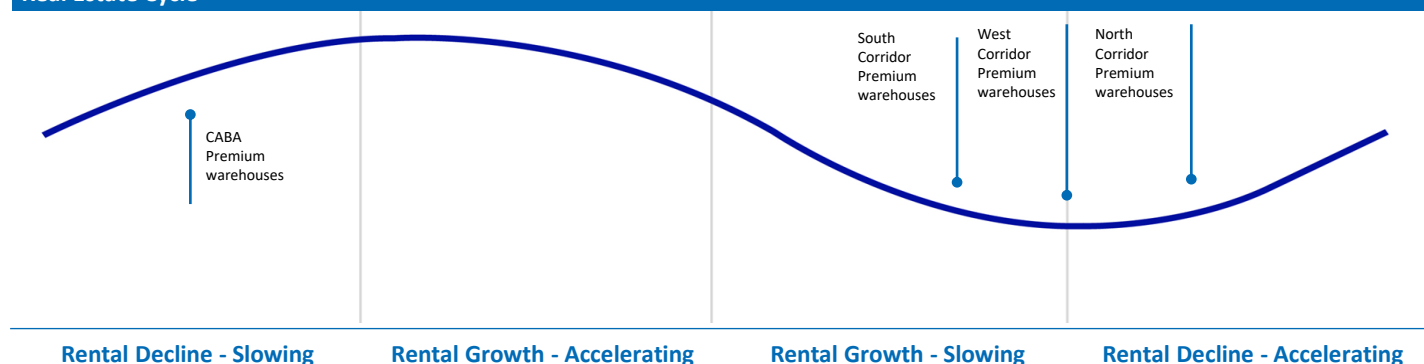
## Average Asking Rent (U\$\$/SF/MONTH)



## Total Availability(SF) 2021- 2023



## Real Estate Cycle



## Market Statistics

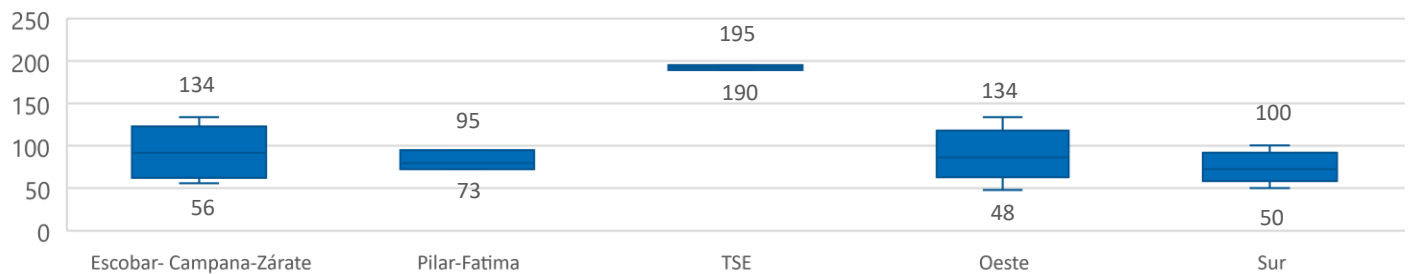
Premium Warehouses	Zone	Total Inventory (SF)	Total Availability (SF)	Availability Rate (%)	Qtr. Absorption (SF)	Under Construction (SF)	Direct Asking Rent (\$/SF/YR)
Campana-Zárate	North Corridor	807.293	0	-	0	592.015	5,57
Pilar-Fatima	North Corridor	2.555.318	0	-	0	581.251	6,47
TSE	North Corridor	6.933.114	48.438	0,7%	-32.292	758.855	7,80
Cam. Del Buen Ayre	North Corridor	753.473	215.278	28,6%	-10.764	0	8,36
West Corridor	West Corridor	983.282	0	-	0	0	6,47
South Corridor	South Corridor	4.316.324	254.459	5,9%	-161.459	484.376	6,02
Buenos Aires City (CABA)	CABA	462.848	0	-	0	0	13,38
<b>Total</b>		<b>16.811.651</b>	<b>518.174</b>	<b>0</b>	<b>-204.514</b>	<b>2.416.496</b>	<b>8,25</b>

## Industrial Parks

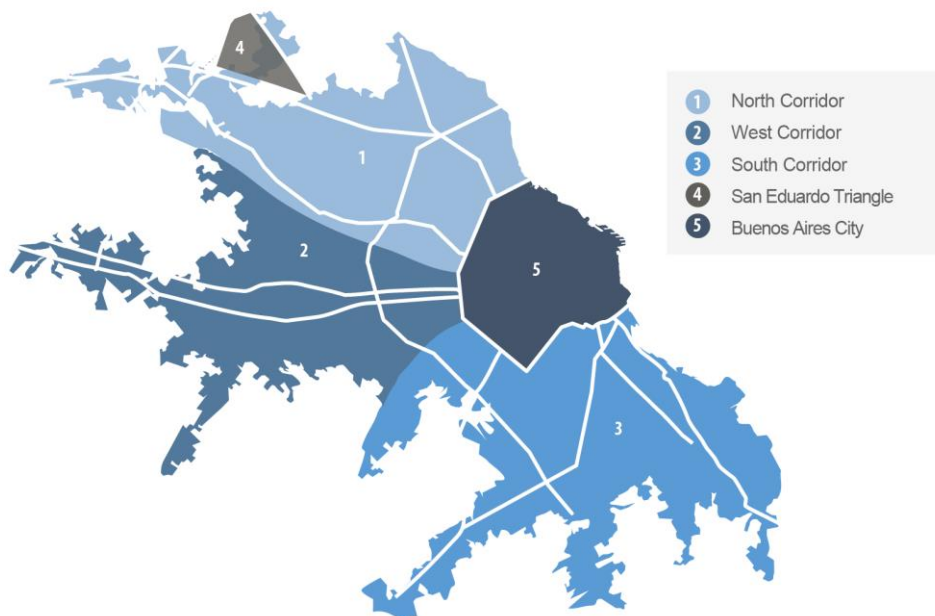
During the period, the Northern Zone keeps attracting market demand. Sales were registered at the Escobar-Campana-Zarate corridor for approximately 61.77 acres and at Pilar-Fatima for 12.35 acres.

Sales values differ according to the area. The TSE area shows the highest asking price values in the market, while the Pilar area maintains a more uniform range, contrary to what was observed in the other corridors, where there is a much wider price range.

## Terrenos en parques industriales. Valor de venta pedido (U\$\$/ Acres)



## Industrial market – Buenos Aires



## Latin American Overview

Buenos Aires' inventory is 67.0% below the Latin American average. Mexico City has the highest volume of inventory, with 146 million square feet, followed by Sao Paulo with 137 million square feet. The ratio of Buenos Aires is 1,668 square feet per 1,000 inhabitants, significantly under the rest of the main Latin American cities.

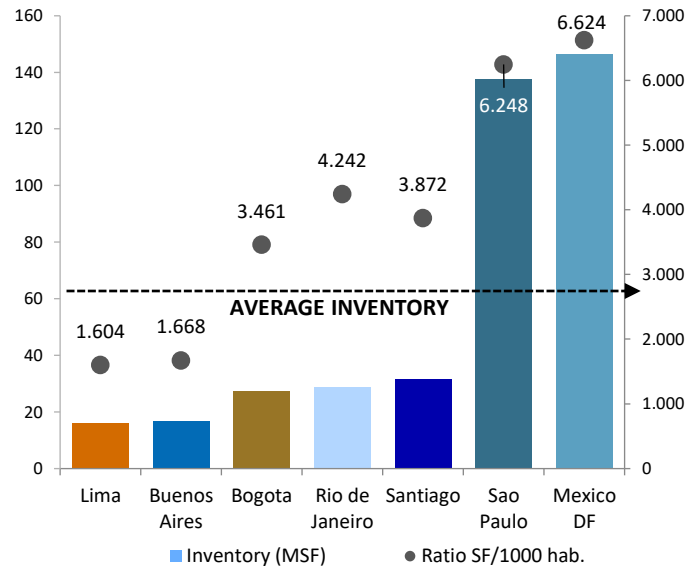
The industrial market in the region shows a mixed performance. The vacancy rate averages 1.9%. Buenos Aires has an average vacancy rate with a downward trend, while asking rental prices are the highest in the region.

The average rental price in the region stands at \$6.00/SF, with Buenos Aires exceeding it by 35.2%, followed by Mexico City and Santiago.

Net absorptions continue in positive territory, with São Paulo standing out with close to 9.580 square feet absorbed, a figure that represents 60.0% of the inventory of Buenos Aires.

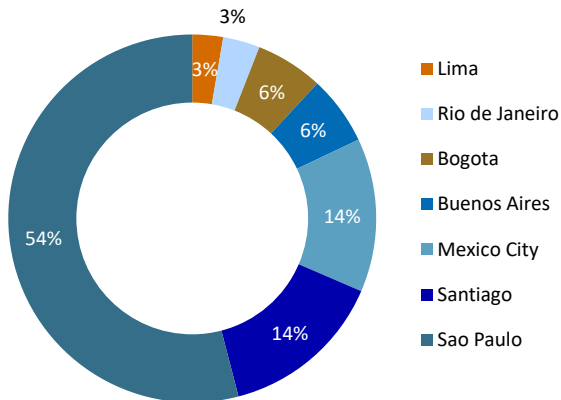
## Inventory. Ratio SF/ 1000 habitants

## 4T. INVENTORY (MILLIONS SF). RATIO (SF)



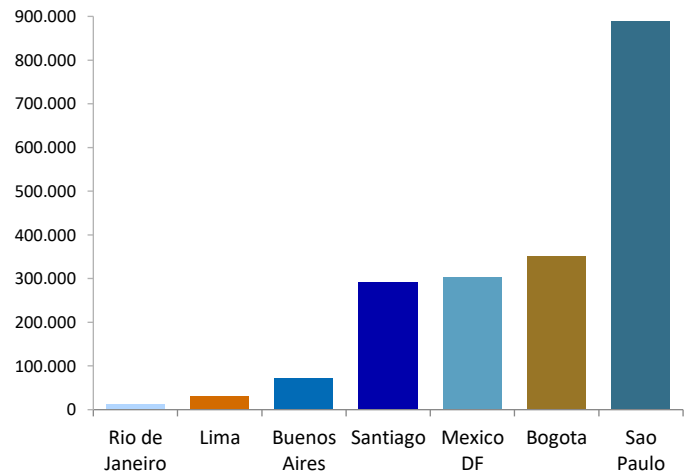
## Area Under Construction : 39,831,812 SF

## 4Q 2022. SQUARE FEET



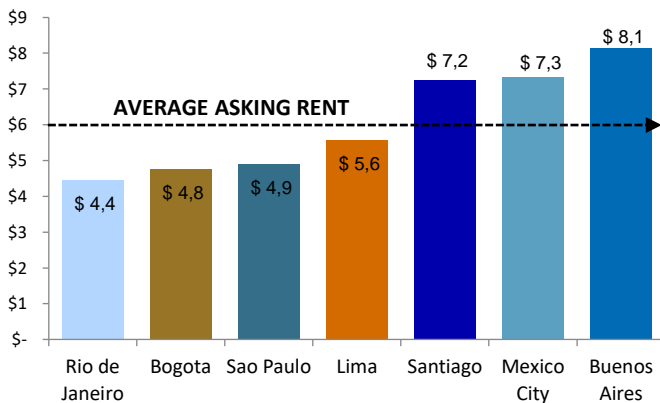
## Annual Net Absorption (sf)

## 4Q 2022. SQUARE FEET



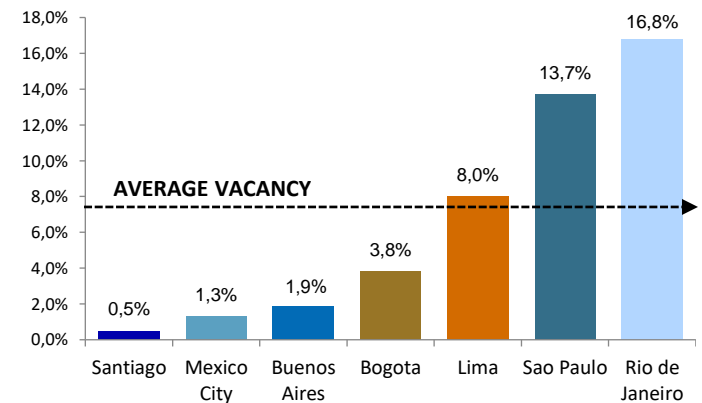
## Average Asking Rent

## 4Q 2022. (U\$\$/SF/MONTH)



## Vacancy (%)

## 4Q 2022. (%)



## Economic Outlook

The first period of 2023 remains in a climate of generalized uncertainty. In the global context, inflation is expected to continue to rise because of the war in Ukraine and the Fed's tax adjustments, which generated a global recession forecast. In addition, some financial institutions in the US have been forced to close operations, which has increased market volatility.

In Argentina, the first quarter of 2023 has been marked by high expectations for the economic and political direction during the election year. Inflation has reached a level close to 102% year over year and a 6.0% monthly growth of 6.6%, surpassing the 2022 average and breaking the 100% barrier for the first time since 1991. This impacted the inflation forecasts estimated by the IMF.

Despite this, unemployment rates have remained stable since the end of last year, although this indicator will need continued monitoring. Macroeconomic variables, such as accelerated inflation, uncertainties in economic policies and IMF deadlines, continue to have a direct impact on the population's purchasing power, reducing their quality of life. For this reason, people are constantly looking for investment methods and value refuges for their assets.

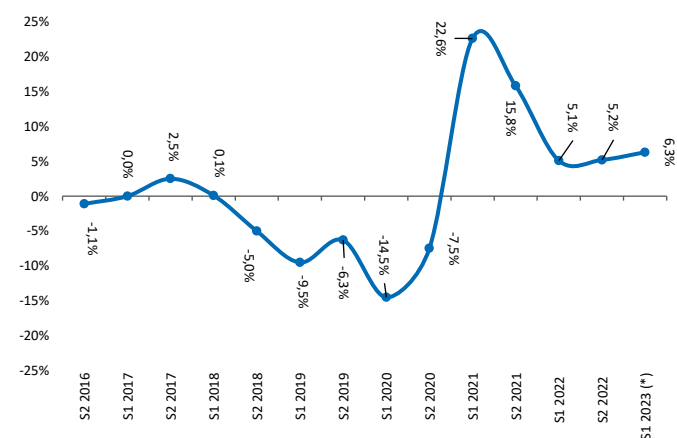
As for the exchange rate, it has presented a quarterly variation of 15.8% compared with the close of 2022 and is expected to continue its upward trend during 2023.

## Economic indicators 1Q 2023

Capital City	Buenos Aires
Population (estimated 2021)	46.654.581
GDP MM	US\$ 482.932
GDP per capita MM	US\$ 10.350
Currency	Peso
Unemployment Rate	6,3 %

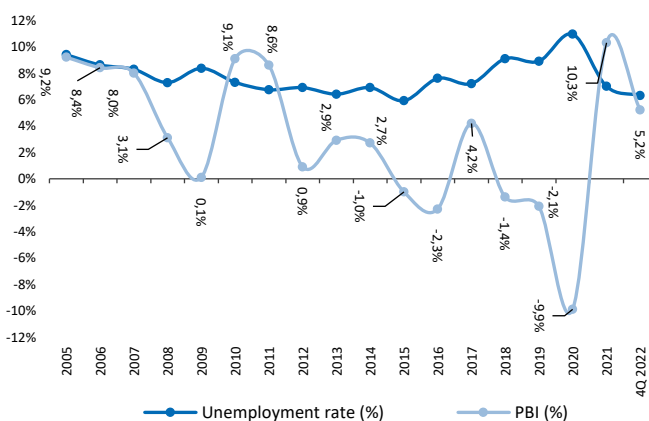


## Manufacturing production index. Annual variation (%)



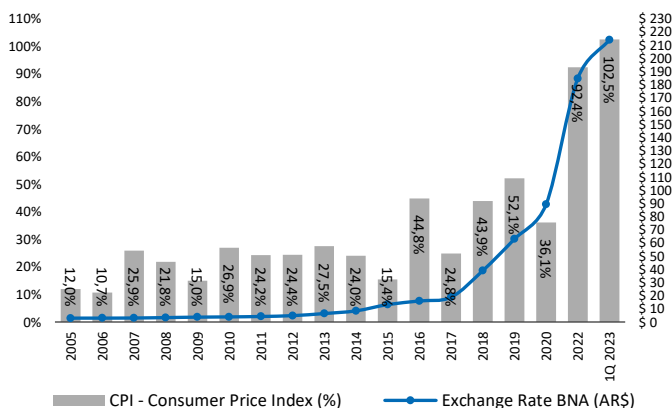
Source: INDEC  
(\*) February 2023

## 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).

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