



Buenos Aires Office Market

The demand loses impulse and remains to await the results of the PASO

At the end of the first semester of the year, a slowdown in the number of transactions was noted, which had a little impact on market indicators.

During this quarter, net absorption turned negative. Despite this, vacancy remained stable at 16.8%, very similar to previous quarters. Asking rents also stayed stable, averaging \$26.20/SF.

Vacancy fell by 45.0% compared with the previous quarter. The greatest decrease occurred in the non-Central Business District zone, which had the most square meters of transactions.

The insignificant movement in the market during the second quarter of 2023 shows not only that demand is slowing, but also that it is on standby and awaits the results of the PASO to be held in August, elections whose results will have an impact on the economic direction that the country could take during this electoral year.

Developers continue to focus on completing projects under construction; however, in the short term, new projects are unlikely to be started due to the current complex situation.

Current Conditions

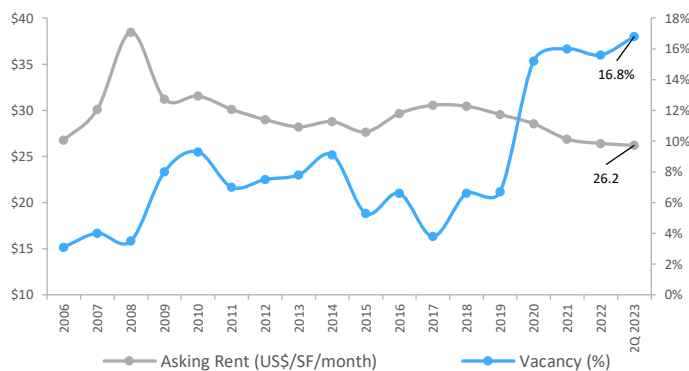
- The average rental value for Class A offices stabilized at \$26.20/SF, close to last quarter's numbers.
- Vacancy increased slightly, closing at 16.8%.
- For the second quarter of 2023, the market shows a slowdown in transactions, leaving a gross absorption of 180,984 SF, and vacant space of 226,419 SF. As a result, the quarterly net absorption was negative 45,434 SF.

Market Summary

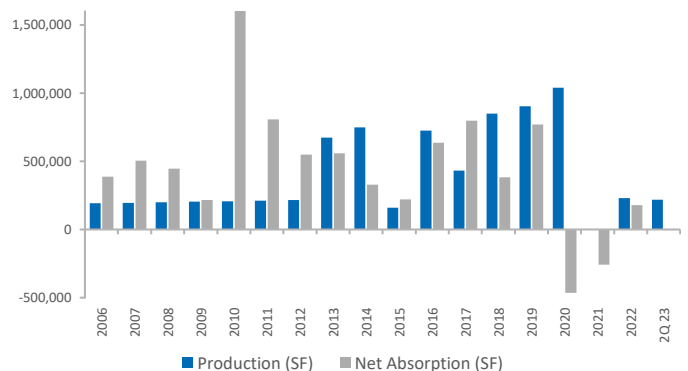
| | Current Quarter | Prior Quarter | Year Ago Period | 12 Month Forecast |
|----------------------------|-----------------|---------------|-----------------|-------------------|
| Total Stock (Lettable) (*) | 19,17 MSF | 19,01 MSF | 18,7 MSF | ↗ |
| Availability Rate | 16.8% | 16.7% | 16.8% | ↗ |
| Quarterly Net Absorption | -45,434 SF | 51,193 SF | -9,935 SF | ↗ |
| Average Asking Rate | 26,2 | 26,4 | \$26,2 | ↔ |
| Under Construction | 2.9 MSF | 2.9 MSF | 2.5 MSF | ↘ |

Market Analysis

AVERAGE RENT AND VACANCY. 2006- 2Q 2023



ANNUAL NET ABSORPTION AND PRODUCTION. 2006- 2Q 2023



Demand

Net absorption for the quarter was negative 45,434 SF, unlike what was observed since the third quarter of 2022. This reflected numbers close to those shown during the second quarter of 2022, where negative numbers were also observed.

The leased area was 16,814 square meters, which is 60.0% less than the previous quarter. 70.0% of the demand corresponds to the CBD and 30% to the NCBD. Within the CBD, it is worth noting that Puerto Madero, contrary to what was noted in the previous quarter, boosted demand with specific operations in the Madero office building, totaling 61,720 SF rented within the submarket.

The released area closed the quarter 45.0% below that registered in the previous quarter. The largest movements occurred in the Catalinas-Retiro submarket, which represented 45.0% of the vacant area. The Laminar Plaza building freed up 61,677 SF in said submarket. Corridors outside the CBD showed less movement.

Offer

Vacancy increased slightly by 0.2%, reaching 16.8%. The North Zone of CABA experienced an increase in vacancy, while the rest of the submarkets maintained some stability; however, it is the CBD that continues to show the highest vacancy.

Availability closed at just over 3.2 million SF, a figure 2.0% lower than that of the previous quarter. The increase occurred across the board in most submarkets.

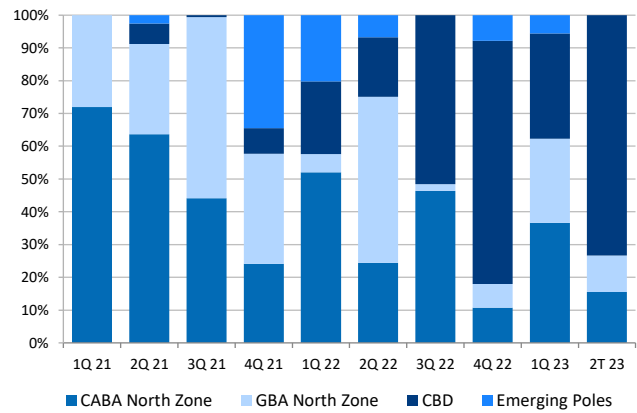
In relation to rental values, they remained stable at \$26.20/SF, so the market continues to offer a flight-to-quality opportunity for tenants.

Future Surface

2.8-million SF are under development. At the end of the quarter, there were no new projects started. In the Palermo submarket, projects that had been delayed due to litigation were resumed.

Quarterly Gross Absorption by Submarkets

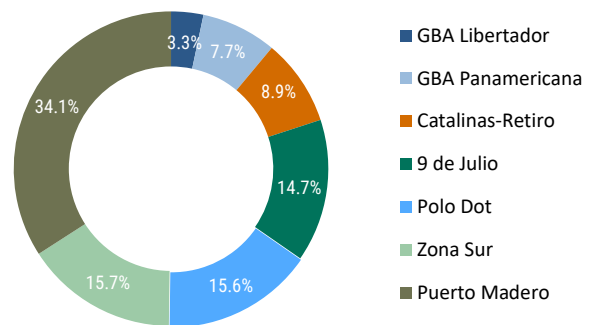
1Q 2021 – 2Q 2023. SQUARE FEET



CABA North Zone: Polo DOT. Corredor Libertador CABA.
GBA North Zone: GBA Panamericana. GBA Libertador.
CBD: Catalinas-Retiro. Puerto Madero. Microcentro. 9 de Julio. Zona Sur.
Emerging Poles: Palermo. Parque Patricios.

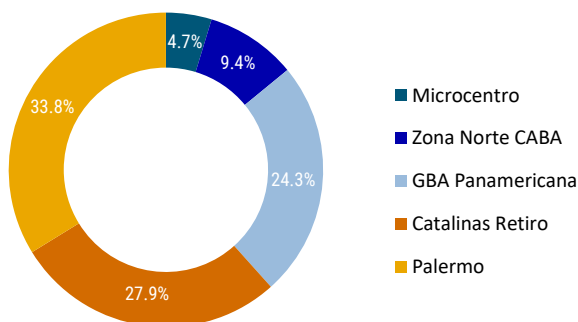
Leased Area by Submarkets: 180,984 SF

2Q 2023. SQUARE FEET



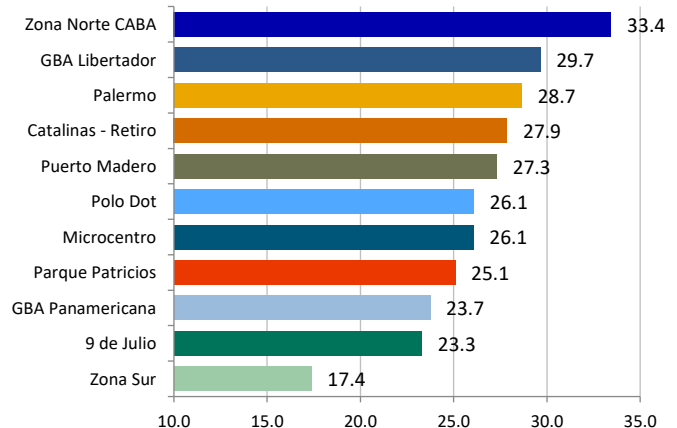
Area Under Construction: 2,874,693 SF

2Q 2023. SQUARE FEET



Average Asking Rent

2Q 2023. (U\$S/SF/MES)

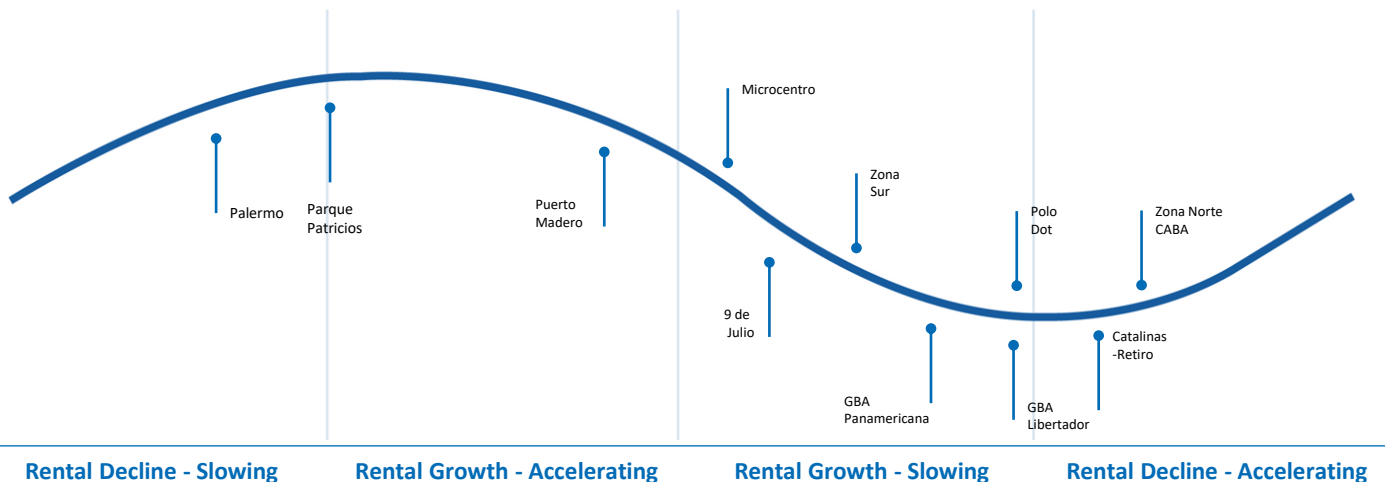


RESEARCH 2Q 2023

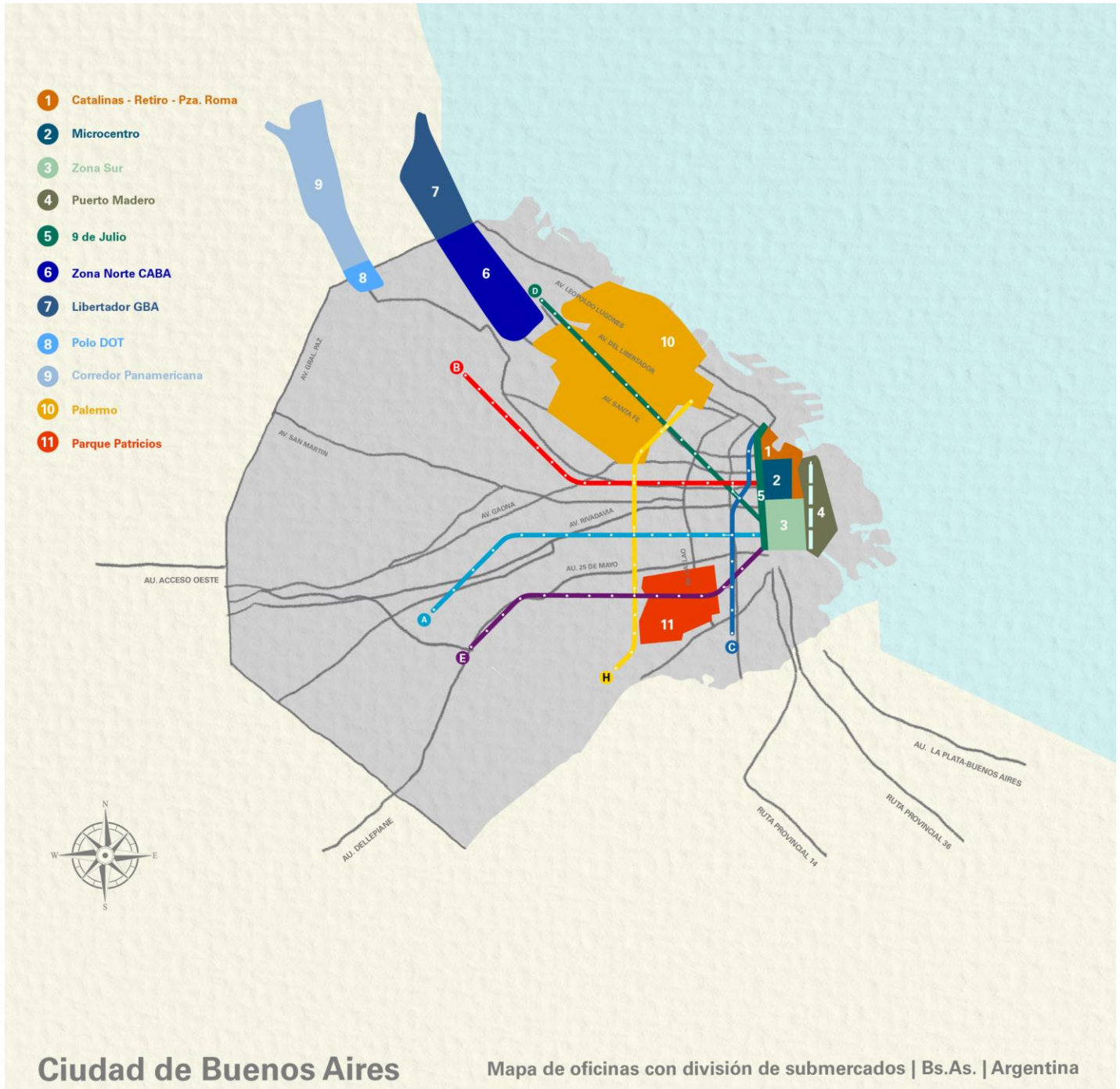
Market Statistics

| By Submarket | Total Inventory (SF) | Under Construction (SF) | Projects (SF) | Total Availability Rate (%) | Qtr. Absorption (SF) | YTD Absorption (SF) | Direct Asking Rent (\$/SF/YR) |
|--|----------------------|-------------------------|------------------|-----------------------------|----------------------|---------------------|-------------------------------|
| CABA | | | | | | | |
| Puerto Madero | 3,232,141 | - | - | 16.20% | 22,949 | -47,630 | 27.3 |
| Zona Sur | 1,098,725 | - | 199,692 | 19.90% | 28373.6404 | 28373.6404 | 17.4 |
| Microcentro | 934,134 | 134,947 | - | 34.30% | -8,643 | -52,851 | 26.1 |
| Catalinas-Retiro. Pza. San Martín. Pza. Roma | 5,308,454 | 800,834 | 3,096,774 | 14.80% | -80567.7915 | -77220.2186 | 27.9 |
| 9 de Julio | 1,130,597 | - | 80,514 | 22.80% | 14412.8621 | 24756.97 | 23.3 |
| Zona Norte CABA | 1,083,494 | 269,098 | 2,237,061 | 17.70% | -53,389 | 104,162 | 33.4 |
| Polo Dot | 1,240,453 | - | 1,295,586 | 25.10% | 11,410 | -78,124 | 26.1 |
| GBA | | | | | | | |
| Corredor Panamericana | 2,148,539 | 698,728 | 822,254 | 21.10% | 14,025 | 37,448 | 23.7 |
| Corredor Libertador | 966,900 | - | 342,873 | 12.60% | 5,995 | 36,565 | 29.7 |
| Subtotal | 17,143,437 | 1,903,606 | 8,074,755 | 20.50% | -45,434 | -24,509 | 26.1 |
| Emergent Poles | | | | | | | |
| Parque Patricios | 1,855,524 | - | 704,939 | 1.60% | 0 | 6781.257 | 25.1 |
| Palermo | 171,846 | 971,087 | - | 6.20% | 0 | 12,841 | 28.7 |
| Subtotal | 2,027,370 | 971,087 | 704,939 | 3.90% | 0 | 19,623 | 26.9 |
| TOTAL | 19,170,807 | 2,874,693 | 8,779,693 | 16.80% | -45,434 | -4,887 | 26.2 |

Class A office market cycle by submarkets



Office market by submarket – Buenos Aires



Economic Outlook

At the close of the first half of 2023, a climate of general uncertainty persists. In a global context, the combination of robust demand and the persistent effects of the reopening after the pandemic, together with the dissipation of supply problems due to the normalization of bottlenecks, have supported growth.

In Argentina, the second quarter of 2023 continued to be impacted by expectations for the election year. Inflation is rising at an average of 7.3% per month, and there are no reasons to expect a substantial drop in it. The absence of a certainty plan for the rest of the current government mandate will ensure a floor of 7.5% per month on average for the rest of the year, while the state applies measures to avoid further acceleration until the elections.

The fiscal deterioration accelerated the monetary expenditures necessary for financing. This accentuates exchange rate and inflationary pressures. In return, the monetary authority raised the interest rate to shore up the attractiveness of local currency deposits, but this is insufficient based on inflation expectations for the coming months.

The severity of the drought, the inflationary acceleration and growing exchange restrictions determine unfavorable prospects for private consumption, investment and the external sector in the rest of 2023.

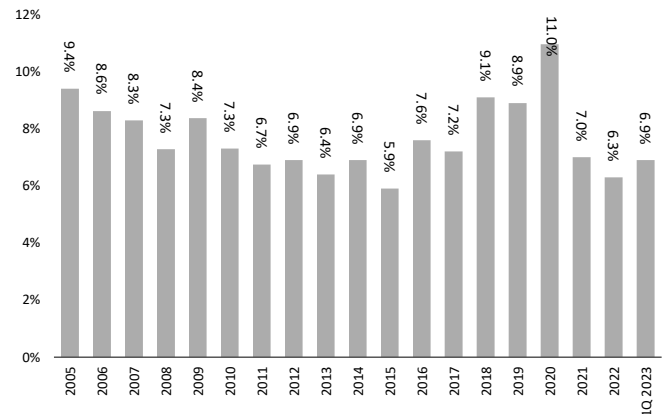
Despite this complex situation, unemployment rates have remained stable since the end of last year. Income is eroding in the face of inflation, though the public and certain private sectors maintain stability.

Economic indicators 2Q 2023

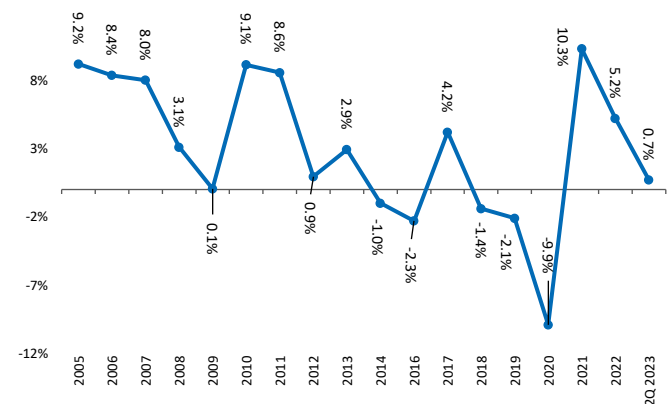
| | |
|-----------------------------|--------------|
| Capital City | Buenos Aires |
| Population (estimated 2023) | 46.654.581 |
| GDP MM | US\$ 442.357 |
| GDP per capita MM | US\$ 9.482 |
| Currency | Peso |
| Unemployment Rate | 6,9 % |



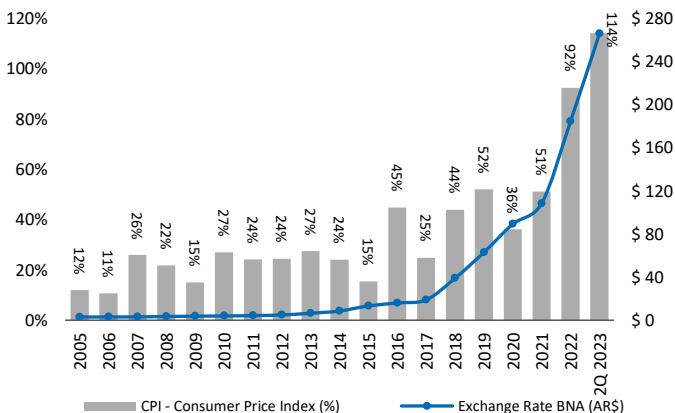
Unemployment rate (%)



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)

| Class A Buildings under Construction | | | | | | |
|---|------------------------|------------------|-----------------|--------------------|---------|---|
| | Proyct | Submarket | Total Area (SF) | Lettable Area (SF) | Date | LEED Certification |
|  | Worko | GBA Panamericana | 526.279 | 421.019 | 4Q 2023 |  |
|  | Lumina San Isidro | GBA Panamericana | 861.112 | 299.236 | 4Q 2023 |  |
|  | Bureau Diagonal | Microcentro | 185.505 | 134.947 | 2Q 2024 |  |
|  | Paseo Gigena | Palermo | 428.780 | 303.725 | 4Q 2023 |  |
|  | Quartier Puerto Retiro | Catalinas Retiro | 418.500 | 348.750 | 3Q 2023 |  |
|  | Mirabilia 851 | Palermo | 735.713 | 452.084 | 4Q 2023 |  |
|  | Campos Salles | Zona Norte CABA | 538.195 | 269.098 | 1Q 2024 |  |
|  | Mirabilia Central | Palermo | 398.264 | 215.278 | - |  |
|  | Alem y Córdoba | Catalinas Retiro | 645.834 | 452.084 | - |  |

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Glossary of Terms

Absorption

Measures the demand in the office market based on the difference between the current occupied area versus the occupied area of the previous quarter.

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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