Latin America Industrial Market

The Market Keeps Up Intense Activity, Vacancy Decreases

Buenos Aires, Argentina

The market features some stability. Considering the conditions of scarcity in logistics premium spaces due to high demand and limited production of new inventory, vacancy closed at 1.8%, trending towards zero. Although the market's indicators continue to entail positive results, this show of stability could also entail a period to "wait and see". Developers are still waiting for the entry of new square meters that could contribute to the occupation, while also standing by to see the results of the elections due in October.

Río de Janeiro, Brasil

Industrial occupation has steadily decreased since the third quarter of 2022. However, during this semester, it featured a net absorption of 54,000 m². The net accumulated absorption so far this year reached 47,000 m², considerably above the second half of 2022, when there was a decrease in the demand. There were no new deliveries or expansions in this quarter, so the forecast for new inventory in 2023 was 21,000 m². Lease prices closed at USD $4.35; a 9% increase compared to the second half of 2022.

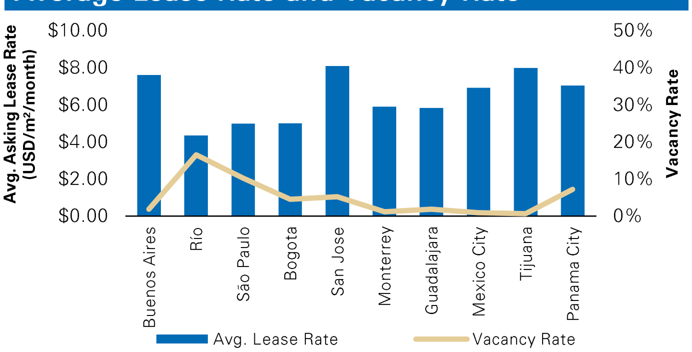
Current Conditions

- Inventory grew by 4%, reaching 59.6M m². However, the vacancy rate contracted again, standing at a regional average of 4.2%.
- The six-month absorption decreased to 1.8 million m² due to weaker economic growth in some of the countries. In other cases, there has been limited new supply to meet the demand.
- Due to demand and the exchange rate in some of the countries, prices have surged quickly to reach an average of $5.31 USD/m2/month.

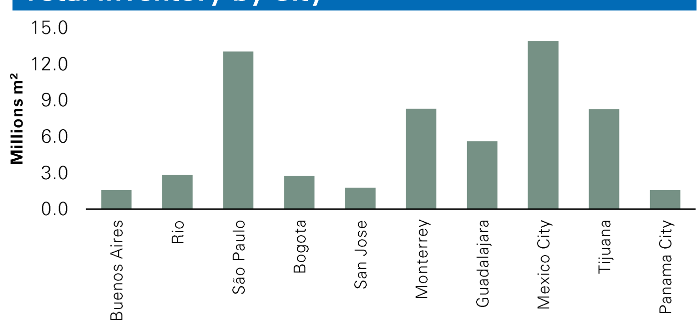
Market Summary

	Current Semester	Prior Semester	12-month forecast
Total Iventory (m²)	59,58M	57,20M	↑
Vacancy Rate	4,2%	5,2%	↓
Semestral Net Absorption(m²)	1,87M	2,47M	→
Avg. Asking Price (USD/m²/month)	$5,31	$4,92	↑
Under Construction (m²)	4,13M	5,20M	→

Average Lease Rate and Vacancy Rate



Total Inventory by City



NEWMARK

Sao Paulo, Brazil

Most manufacturing industries are still reeling from the effects of a more restrictive monetary policy and tighter credit, which affects companies and consumers. However, in the real estate market, the results during this six-month period were good. The intense levels of activity continued in the industrial and logistics segments of Sao Paulo. The intense leasing activity caused a decrease in the vacancy rate to reach 10.2%. Despite a slight quarterly decrease in the demand figures, the forecasts are promising, with an accumulated absorption so far this year of 637,000 m² and an accumulated gross absorption so far this year of 902,000 m². Leasing prices closed at USD $4.97; a 13% increase compared to the second half of 2022.

San Jose, Costa Rica

The total inventory increased by 90,393m², a 5.4% increase compared to the previous semester. Diminishing construction and a greater demand for warehouses led to a contraction in the vacancy rate, going from 5.5% to 5.2%. During this period, net absorption decreased to 346,000 m², a very acceptable level and with intense demand. The average leasing price continued stable with a limited contraction of 0.7% to reach $8.09 per m². The intense market activity and high prices are caused by nearshoring, which has had a positive impact on the Costa Rican economy.

Bogota, Colombia

In the industrial market of Bogotá, there is a promising outlook for funds and developers engaged in industrial park projects. During the first half, there was a decrease in the vacancy rate, reaching 4.5%. This suggests high demand and limited supply. The construction of speculative warehouses slowed down substantially, mainly due to elevated prices of raw materials. This translated into an increase in lease prices, which stood at USD $4.28 per m² during this half. This also fostered a trend towards long-term agreements. The same or greater dynamism is expected for the rest of the year.

Mexico City, Mexico

The industrial market maintains great dynamism, with high levels of absorption and record volumes of occupation. This is attracting new investments that are arriving to northern areas, such as Zumpango and Teoloyucan. During the second half of 2022, the inventory grew to 13.9 million m²; that is, a growth of nearly 400,000 m² compared to the previous period.

Absorption during this period decreased due to the insufficient existing space to cover the demand, but it stood at a good level with 220,000 m². Leasing prices grew by 6% to reach USD $6.90 per m² per month due to demand and strength in the Mexican peso exchange rate versus the US dollar.

Guadalajara, Mexico

The city continues to attract new investments, mainly from companies in the technology and automotive industries. During this semester, there was a negative net absorption (-78,000 m²) due to the entry of new speculative construction, although gross absorption reached 283,000 m². These are positive figures, and they demonstrate the intense activity in the city, where the occupation rates remain at 98%. Finally, leasing prices grew by 9% during these six months to stand at USD $5.83 per m² per month.

Monterrey, Mexico

During the first half, the accumulated figures for gross absorption and net absorption remained stable at 393,800 m² and 230,800 m², respectively. This demand for Class A industrial space resulted in a vacancy rate of 1.1%. Spaces under construction amounted to 998,000 m². In addition, there are speculative buildings recorded in the planning stage for more than 752,000 m². The average leasing price amounted to USD $5.90/m² per month.

Tijuana, Mexico

As demand increases in Valle Redondo and Rosarito, vacancy in Tijuana remains below 1%. Construction is more intense in Blvd 2000, Pacifico/Nordika, and Rosarito. The latter sub-market features one of the most aggressive increases of activity in the last three years. Prices in the market are reaching USD $9.00/m2, but it is expected that prices will cross this threshold by the end of 2023.

Panama City, Panama

As of the closing of June 2023, the industrial market featured an inventory of over 1.5 million m², representing an increase of 1.45% compared to the same period in 2022. The market's vacancy stood at 7.2%, demonstrating a continuous decrease since the end of the previous year. This trend is expected to continue for the rest of the year due to the delivery of built-to-suit spaces for new users, the incorporation of new supply, and the consolidation of operations for local and regional distribution that look for more strategic and efficient locations.

Stats by City

	Total Inventory (Millions m²)	Under Construction (Millions m²)	Vacancy Rate	Semestral Absorption (m²)	Avg. Lease Rate (USD/m²/month)
Buenos Aires*	1,56	0,22	1,8%	1,000	$7,60
Rio de Janeiro	2,84	0,02	16,5%	47,211	$4.35
Sao Paulo	13,03	1,39	10,2%	637,389	$4.97
Bogota	2,75	0,18	4,5%	246,528	$5.00
San Jose	1,77	0,09	5,2%	346,374	$8.09
Monterrey	8,29	1,00	1,1%	230,832	$5.90
Guadalajara	5,61	0,20	1,8%	- 77,881	$5.83
Mexico City	13,90	0,61	0,9%	220,490	$6.90
Tijuana	8,26	0,24	0,6%	205,341	$7.98
Panama City	1,57	0,17	7,2%	15,923	$7.03
Total	**59,58**	**4,14**	**4,2%**	**1,873,207**	**$5.31**

*Buenos Aires Market had a reclasification of Class A buildings for this period.

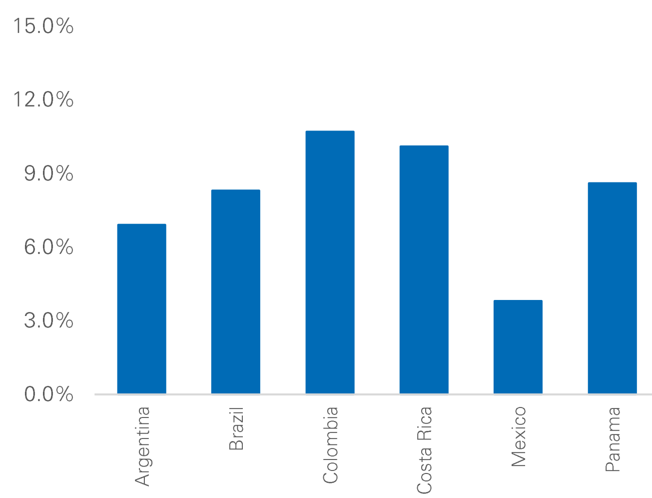
Economic Conditions

Argentina

The second quarter was also impacted by the uncertainty caused by this year's elections. Inflation continues to grow, with a monthly average of 7.3%. There are no reasons to expect a substantial decrease in inflation. The severity of drought, accelerating inflation, and growing restrictions on currency exchange entail unfavorable conditions for private consumption, investment, and foreign trade for the remainder of 2023. Despite such a complex situation, the unemployment rates have been stable since last year, even if the real income for informal workers is losing purchasing power due to inflation. By contrast, the public and private formal segments remain somewhat stable.

Unemployment Rate

BY COUNTRY



Brazil

During the first months of 2023, Brazil's gross domestic product increased by 1.9% after a brief decrease in 2022. This growth was greater than expected, although economic activity is expected to slow down in 2023. The greatest growth was mainly driven by agriculture, which increased by 21.6% after a record-breaking soy harvest. Other sectors continued steady, although the manufacturing and construction industries eroded again. Despite a global decrease in prices for raw materials, these are still considerably high, which keeps Brazilian soy and crude oil competitive. Deflation in raw materials and a better exchange rate helped reduce inflation to 5%. However, the interest rate is still high at 13.75%.

Colombia

For the first time in two years, the Economy Tracking Indicator displayed a negative result of 0.8% in April. However, employment data and expectations among business owners and consumers in the Fedesarrollo report suggest a more favorable outlook. Besides, the Colombian peso underwent a considerable appreciation, and the risk premiums decreased substantially. These events took place under a context of high uncertainty in the global economy and a reduction in international oil prices. It is forecasted that Colombia will grow by 1.2% in 2023, driven by growth in the public sector, private consumption of services, and exports. However, the slowdown among developed countries represents a challenge to the country and to domestic policies.

Costa Rica

The Costa Rican economy featured two contrasting characteristics: the special regime grew by 23.8%, while the manufacturing sector under the definitive regime dropped by 1.8%. Even though there was some progress, challenges remain. On the one hand, the unemployment rate decreased substantially, reaching 10.1%. This was mainly driven by expansion in productivity among the medical and service industries, which grew by 5.51%. In May, inflation decreased by 0.88%, a positive result. On the other, the exchange rate versus the US dollar improved to ¢549.48 in June, representing 20.6% versus the year 2022. While this accelerated appreciation is considered a positive result, it affects the country's competitiveness and balance of trade.

Mexico

The Mexican economy had a first half that was better than expected, growing 3.6% year-to-year, driven by services and trade. On the other hand, secondary or industrial activities grew by 2.5%, mainly due to the growth of direct foreign investment in the motor vehicle industry attracted by the nearshoring phenomenon. During this half, for the first time, Mexico surpassed China in its volume of exports to the United States. Further, the exchange rate remains appreciated versus the US dollar, so it still stands at 17.7 Mexican pesos per dollar during the first half of the year.

Panama

Since mid-2022, the economy of Panamá has shown sustained growth, largely boosted by foreign investment, which has increased in key industries, especially logistics, consumer products, and services. It is expected that this trend will continue because the country is still drawing the attention of international investors due to its strategic location and political and economic stability. By contrast, the construction industry has undergone a surge, due to growth in infrastructure and housing projects. The recovery is sustained by the constant implementation of investment plans for public and private projects. This is successfully fostering growth in the sector, which has a positive impact on the national economy.

U.S. Dollar Exchange Rate

Country	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Argentina	116	130	153	185	209	266
Brazil	5,08	4,96	5,26	5,21	5,13	4,82
Colombia	3.885	3.953	4.438	4.868	4,637	4,100
Costa Rica	667	692	636	602	543	549
Mexico	20,31	20,05	20,20	19,50	18,04	17,70

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

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