



Buenos Aires Office Market

The current economic situation impacts on the start-up of new projects

The third quarter of 2023 continues with uncertainty caused by the country's economic outlook, closing again with negative values, mainly due to the entry of new buildings with high availability and a demand that loses strength as electoral uncertainty increases and the economic outlook worsens.

During this period, net absorption again showed negative values with a slight increase in vacancy, closing at 18.5%. The reason for this increase was the addition of two new buildings with low occupancy: the Quartier District, which brought 348,750 SF of premium space to the Retiro area, and a tower in the Lumina San Isidro complex, on the Panamericana Corridor.

Although vacancy increased slightly, it has remained in a range between 15 and 17% since the fourth quarter of 2020, stagnating at those values. This is because the relationship between offer and demand is quite neutralized, as vacant space is also occupied.

In turn, this stagnation has a direct impact on the strategy of developers, who continue with their ongoing projects but show no signs of undertaking new ones. With an uncertain market, they are not only delaying the start of new projects but are also adjusting their projected office space, which is being replaced by residential, commercial, and flexible workspaces. In addition, if these projects enter the market under the current situation, it would be difficult for them to validate their real value in a market with stagnant rental values.

Current Conditions

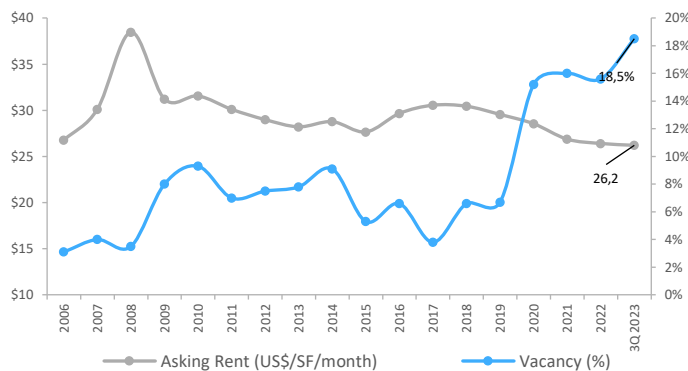
- The average rental value for Class A offices stabilized at \$26.20/SF, close to last quarter's numbers.
- Vacancy increased slightly, closing at 18.5%.
- For the third quarter of 2023, the market showed negative signs, leaving a gross absorption of 233,146 SF, and vacant space of 286,051 SF. As a result, the quarterly net absorption was negative 52,905 SF.

Market Summary

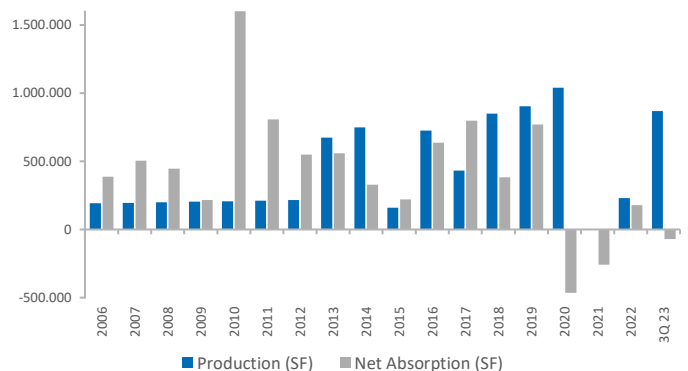
	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Stock (Lettable) (*)	19,69 MSF	19,17 MSF	18,71 MSF	↗
Availability Rate	18.5%	16.8%	16.2%	↗
Quarterly Net Absorption	-52,905 SF	-45,434 SF	123,645 SF	↗
Average Asking Rate	26,2	26,2	\$26,5	↔
Under Construction	2.2 MSF	2.9 MSF	2.8 MSF	↘

Market Analysis

AVERAGE RENT AND VACANCY. 2006- 3Q 2023



ANNUAL NET ABSORPTION AND PRODUCTION. 2006 - 3Q 2023



Demand

Net absorption for the quarter was negative 52,905 SF. Demand showed negative values again, as in the previous quarter, largely due to the addition of two new buildings.

The leased area amounted to 233,146 SF, 44% more than in the previous quarter; 78% of demand corresponds to the Central Business District. Within the CBD, in the Catalinas-Retiro submarket, the Distrito Quartier Puerto Retiro building stands out, which entered the market with 72,311 SF leased, representing 20% of the total building; and the Torre Bellini in Microcentro, with 37,673 SF leased by a company in the financial sector.

Within the NCBD, the occupation of the DOT Building stands out, in which 29,816 SF were rented to a company in the wine sector and a wholesale distributor. In the Panamericana Corridor, a tower in the Lumina San Isidro complex was fully occupied.

Despite this, vacancy closed the period 23% lower than in the previous quarter. The largest movements were in the NCBD, which accounted for 77% of the vacated area, with 221,155 SF, while the CBD closed with 64,895 SF available.

Offer

Vacancy increased slightly by 1.59% to 18.5%. Catalinas-Retiro, Palermo and GBA Panamericana 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 rates.

Availability closed at 3,638,639 SF, 11% higher than in the previous quarter. The increase was mainly due to the addition of the buildings Distrito Quartier Puerto Retiro with 276,438 SF available, and Lumina San Isidro with 171,049 SF available.

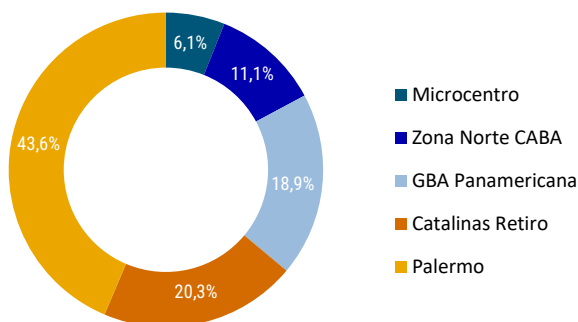
In relation to rental values, they remained stable at 26.20/SF, so the market continues to offer an opportunity for flight to quality.

Future Availability

There are 2 million SF under development. At the end of the quarter, no new projects had been started.

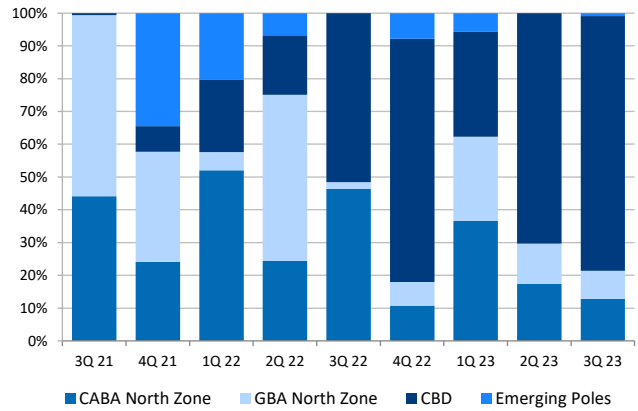
Area Under Construction: 2,226,652 SF

3Q 2023. SQUARE FEET



Quarterly Gross Absorption by Submarkets

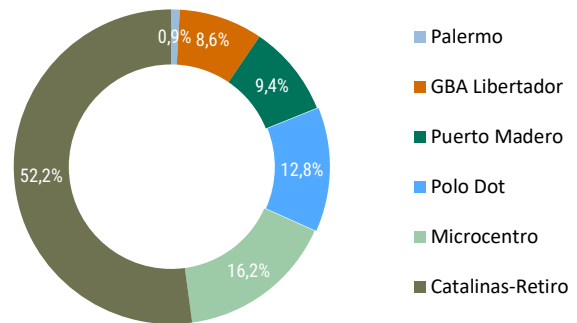
1Q 2021 – 3Q 2023. SQUARE FEET



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.

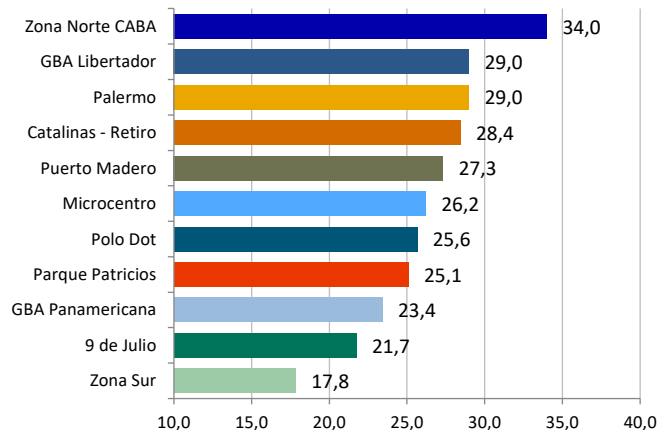
Leased Area by Submarkets: 233,146 SF

3Q 2023. SQUARE FEET



Average Asking Rent

3Q 2023. (U\$S/SF/MES)

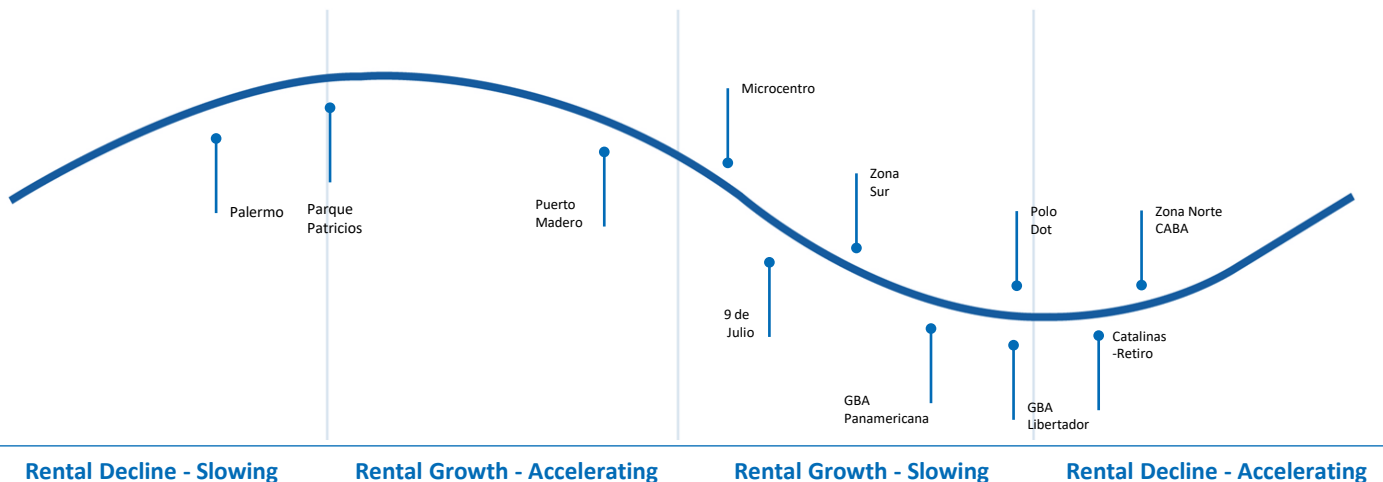


RESEARCH 3Q 2023

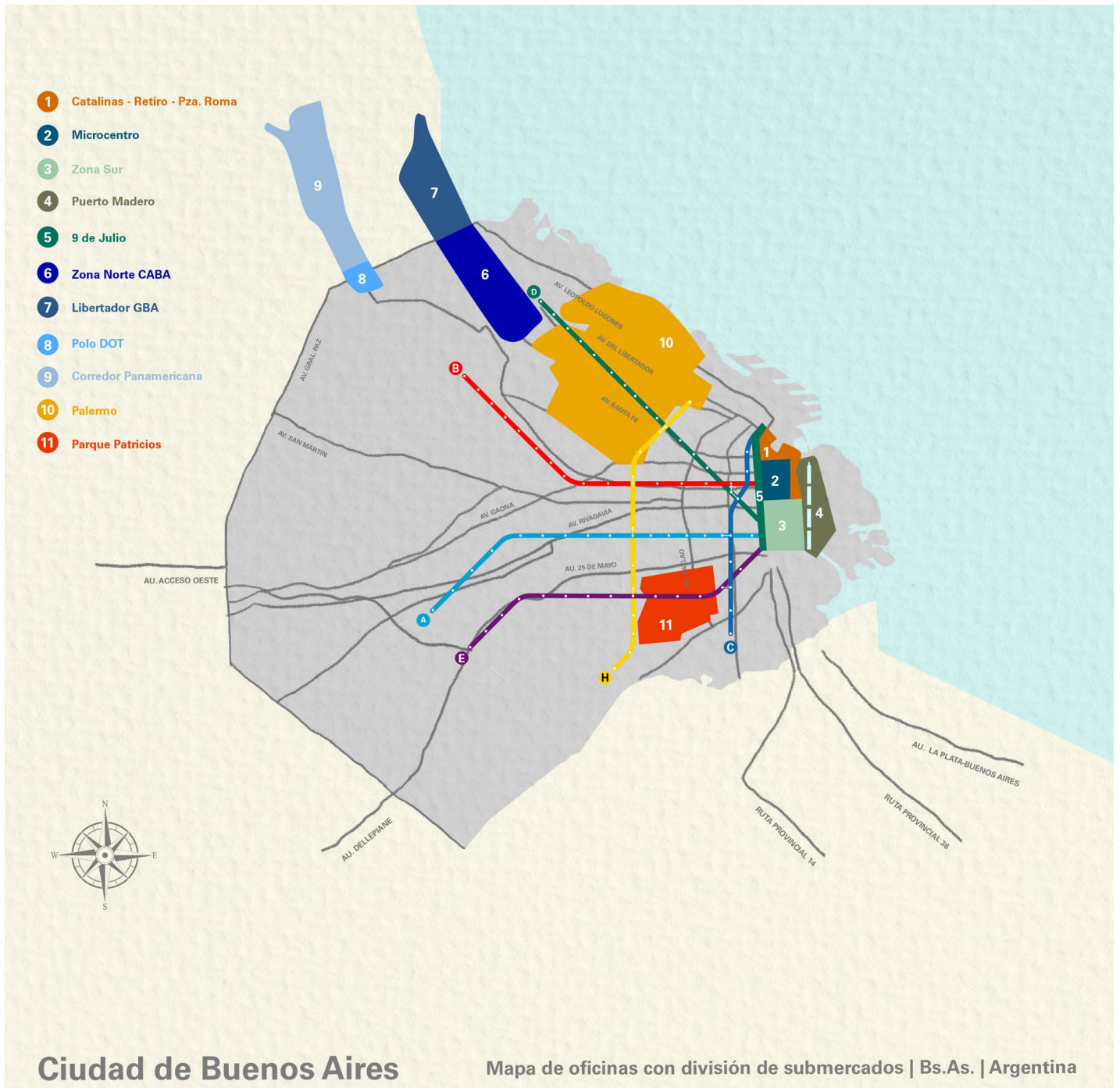
Market Statistics

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	-	-	15,60%	19.106	-29.870	27,3
Zona Sur	1.098.725	-	199.692	20,10%	0	28373,6404	17,8
Microcentro	934.134	134.947	-	30,30%	37.674	-15.177	26,2
Catalinas-Retiro. Pza. San Martín. Pza. Roma	5.657.204	452.084	3.096.774	19,00%	59492,0753	-17728,1433	28,4
9 de Julio	1.130.597	-	80.514	24,40%	0	7362,5076	21,7
Zona Norte CABA	1.083.494	247.516	2.237.061	17,20%	0	109.383	34,0
Polo Dot	1.240.453	-	1.295.586	22,70%	29.816	-48.308	25,6
GBA							
Corredor Panamericana	2.320.557	421.019	822.254	25,70%	-176.194	-138.747	23,4
Corredor Libertador	966.900	-	342.873	11,10%	14.079	50.644	29,0
Subtotal	17.664.206	1.255.566	8.074.755	20,70%	-16.027	-53.841	26,0
Emergent Poles							
Parque Patricios	1.855.524	-	704.939	1,60%	0	6781,257	25,1
Palermo	171.846	971.087	-	27,30%	-36.877	-24.036	29,0
Subtotal	2.029.307	971.087	704.939	14,50%	-36.877	-17.255	27,1
TOTAL	19.693.513	2.226.653	8.779.693	18,50%	-52.905	-71.096	26,2

Class A office market cycle by submarkets



Office market by submarket – Buenos Aires



Economic Outlook

At the end of the third quarter of 2023, there continues to be a climate of generalized uncertainty. Economic activity continues to be impacted by the expectations of the outcome of the presidential elections. Inflation continues to rise and has not found a ceiling, closing August with double digit values (12.4% monthly) and an annual accumulated value of 124%.

In this context, there is no reason to expect a substantial drop in price, while the state is focused on the electoral campaign and only palliative measures are being applied to avoid a further acceleration until the elections.

Monetary issuance accelerated due to the fiscal deterioration, the measures aimed at retaining votes and contain inflation without success, which need to be financed. All of this ends up accentuating exchange rates and inflationary pressures.

Once again, the Central Bank raised the interest rate on local currency deposits in order to reinforce the attractiveness of such deposits, although this is insufficient, according to inflation expectations for the coming months.

The acceleration of inflation and the increasing exchange restrictions determine an unfavorable outlook for private consumption, investment, and the external sector, with imports practically closed and unfavorable conditions for exporters for the remainder of 2023.

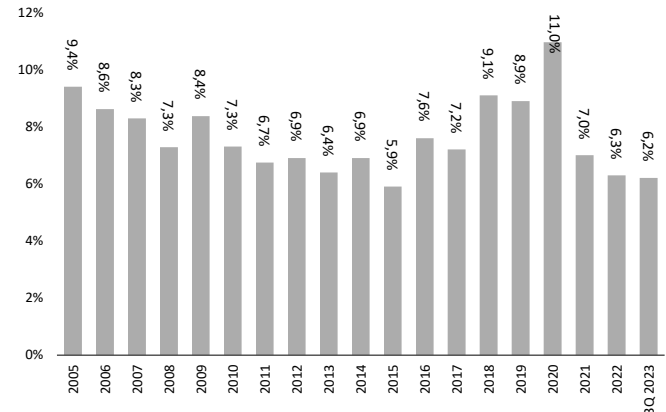
Despite this complex situation, unemployment rates have remained stable since the end of last year, while real incomes of formal and informal employees are eroding strongly in the face of rising inflation. In this regard, the recent modification and approval of the income tax law will not come into effect until 2024, so purchasing power will continue to fall.

Economic indicators 3Q 2023

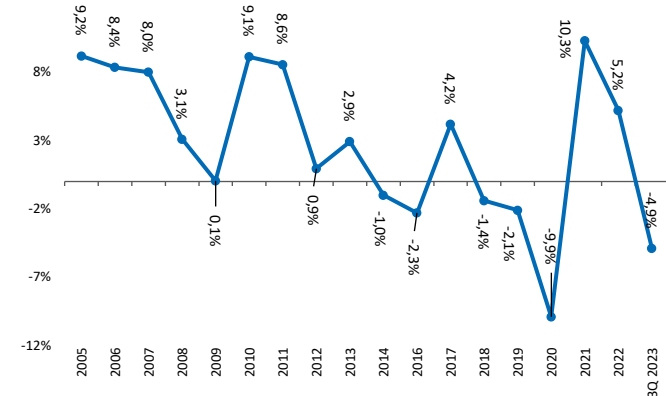
Capital City	Buenos Aires
Population (estimated 2023)	46.654.581
GDP MM	US\$ 441.580
GDP per capita MM	US\$ 9.465
Currency	Peso
Unemployment Rate	6,2 %



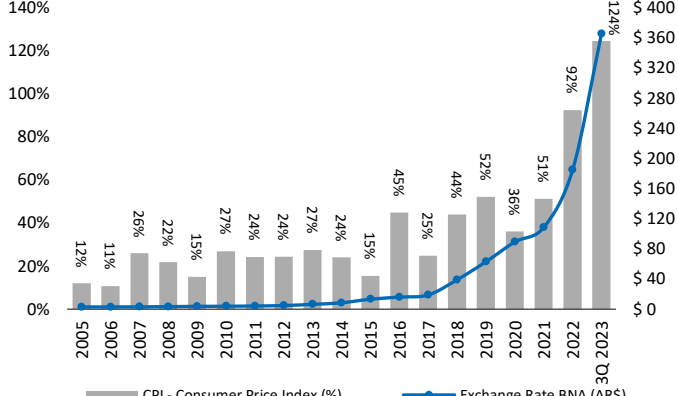
Unemployment rate (%)



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

	Project	Submarket	Total Area (SF)	Lettable Area (SF)	Date	LEED Certification
	Paseo Gigena	Palermo	428.780	303.725	4Q 2023	
	Mirabilia 851	Palermo	735.713	452.084	4Q 2023	
	Worko	GBA Panamericana	526.279	421.019	1Q 2024	
	Bureau Diagonal	Microcentro	185.505	134.947	2Q 2024	
	Centro Empresarial Nuñez (CEN)	Zona Norte CABA	538.195	247.516	2Q 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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