

# Buenos Aires Industrial Market

The market is in a scenario of market supply shortage and production slowdown

The third quarter of 2023 closed with positive indicators, where demand, mostly driven by build-to-suit transactions, outstripped the scarce supply of premium space.

Over the last two years, the market has been experiencing a marked shortage of Class A logistics space, partly due to slowdown in new speculative projects given the complex economic context, further aggravated by the uncertainty caused by the upcoming presidential elections.

There is no release of acreage, which, along with the low production, keeps the vacancy rate at historic lows.

Against this backdrop, developers have once again focused their activity on build-to-suit transactions in order to reduce the risk of building speculative land and the time required to occupy it.

As a result, practically all new surface area entering the market is fully occupied, leaving positive absorption peaks in periods with the entry of newly-built spaces. This is reflected in the high net absorption in the quarter, as a result of the entry of 516,667 SF of fully-leased space in the San Eduardo Triangle area.

Rental values continue to show a moderate upward trend, driven by scarcity.

## Current Situation

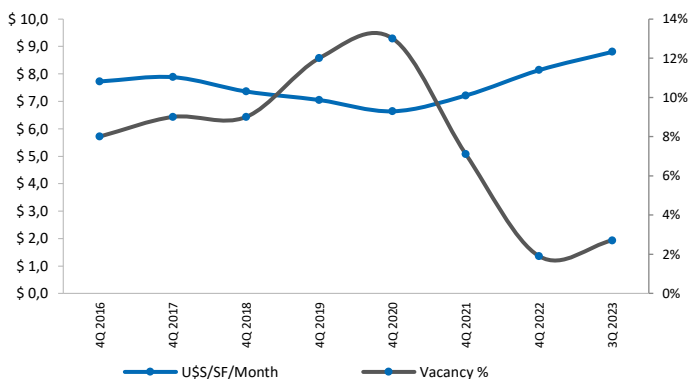
- The average rental value for Class A logistics centers presented minimal upward variations, closing at \$8.80/SF.
- The vacancy rate closed at 2.7%, reaching historically low levels.
- The third quarter of 2023 closed with a gross absorption of 562,736 SF, and vacant space of 215,278 SF. As a result, the quarterly net absorption was 347.459 SF.

## Market Highlights

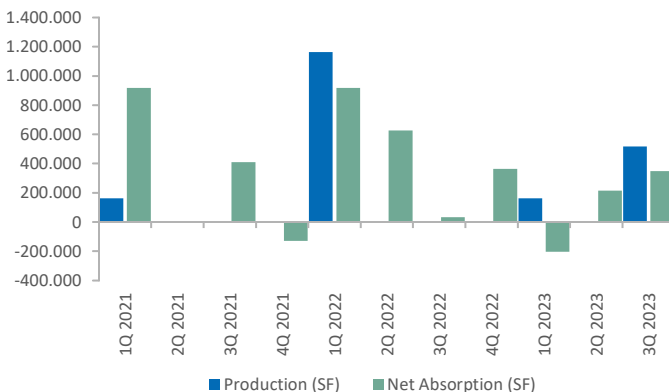
Premium Warehouse	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory (Const.)	17,32 MSF	16,79 MSF	15,82 MSF	→
Availability Rate	2.7%	1.8%	4.1%	↘
Average Asking Rent	US\$8.8	US\$8.4	US\$7.7	→
Quarterly Net Absorption	347K	215K	0,322K	↗
Underconstruction	2,4M	2,4M	2,5M	↗

## Market Analysis

ASKING RENT AND VACANCY. 4Q 2016 - 3Q 2023



QUARTELY NET ABSORPTION AND PRODUCTION. 1Q 2021 - 3Q 2023



**Offer**

Vacancy continues to approach historic lows. Currently, the area with the lowest vacancy continues to be the TSE within Zona Norte with 2.1%; on the other hand, in the Camino del Buen Ayre Corridor, the release of 215,278 SF raised vacancy to 28.6%.

In terms of available SM, the period ended at 472,104 SF, a figure that shows a year-on-year decrease of 30.3%. It is worth noting that the available surface area is comprised of only four properties. A total of 45.6% of availability is concentrated in the Camino del Buen Ayre Corridor, in a single property, and another 34.2% in the southern area, also available in a single property.

These figures denote the difficulties faced by the demand when it comes to finding spaces that suit their needs and is one of the reasons why they prefer to contract build-to-suit spaces, despite the longer times required for occupancy.

With respect to rental values, the North Zone once again stands out with the highest figures (\$9.50/SF), registering an increase of 13% over the previous quarter. In the rest of the zones, there were no variations with respect to the previous period.

**Demand**

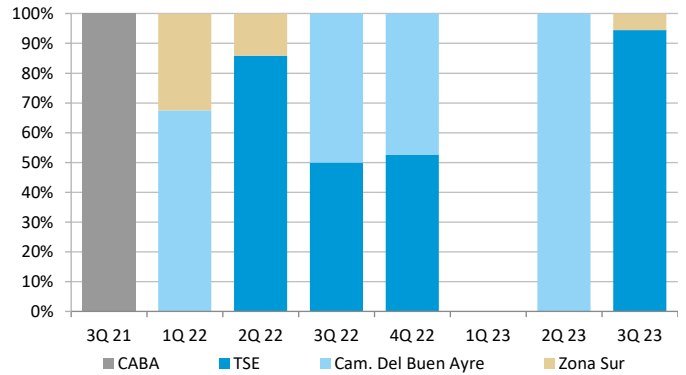
Demand continues to show its preference for the North Zone, where two properties were completed in TSE and Camino del Buen Ayre, which entered the market fully occupied, generating a gross absorption of 516,667 SF. In addition, smaller areas were leased, adding up to 46,069 SF of positive absorption, while the rest of the market did not show any movement due to the limited available space.

**Future Availability**

At present, 2,404,655 SF are still under construction, which represents an increase of 13.9% over the current inventory. Some 196,979 SF are expected to enter the market by the end of 2023, while the rest have an estimated completion date of 2024.

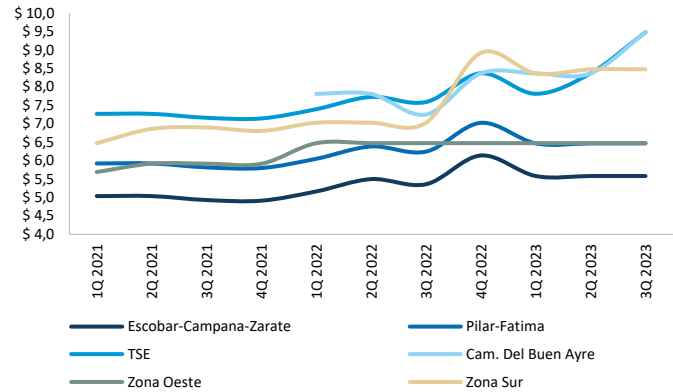
Eighty percent of production (1,932,120 SF) is located in the North Zone, distributed in TSE (31%), the Campana-Zárate Corridor (24.5%) and the Pilar-Fátima area (24.1%). The remaining 20% is located in the South Zone.

**Quarterly Gross Absorption by Submarkets 2021 -2023**

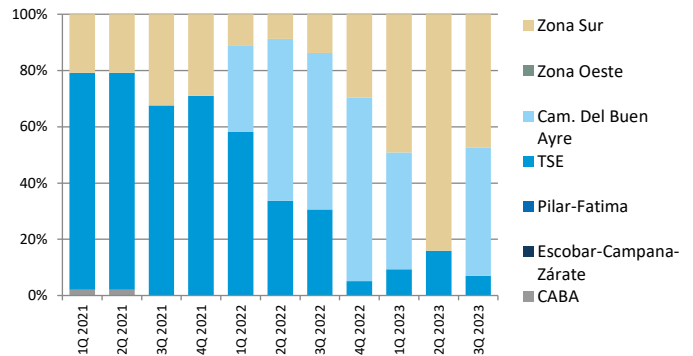


**North Corridor:** TSE, Cam. Del Buen Ayre, Escobar- Campana-Zárate, Pilar-Fátima  
**South Corridor:** South Corridor, **West Corridor:** West Corridor  
**CABA:** Ciudad Autónoma de Buenos Aires

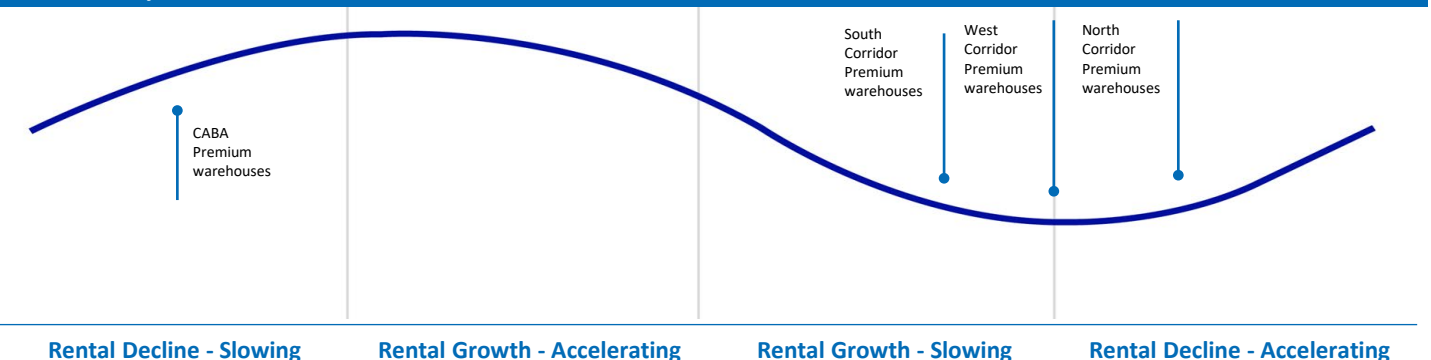
**Average Asking Rent (U\$S/SF/MONTH)**



**Total Availability (SF) 2021- 2023**



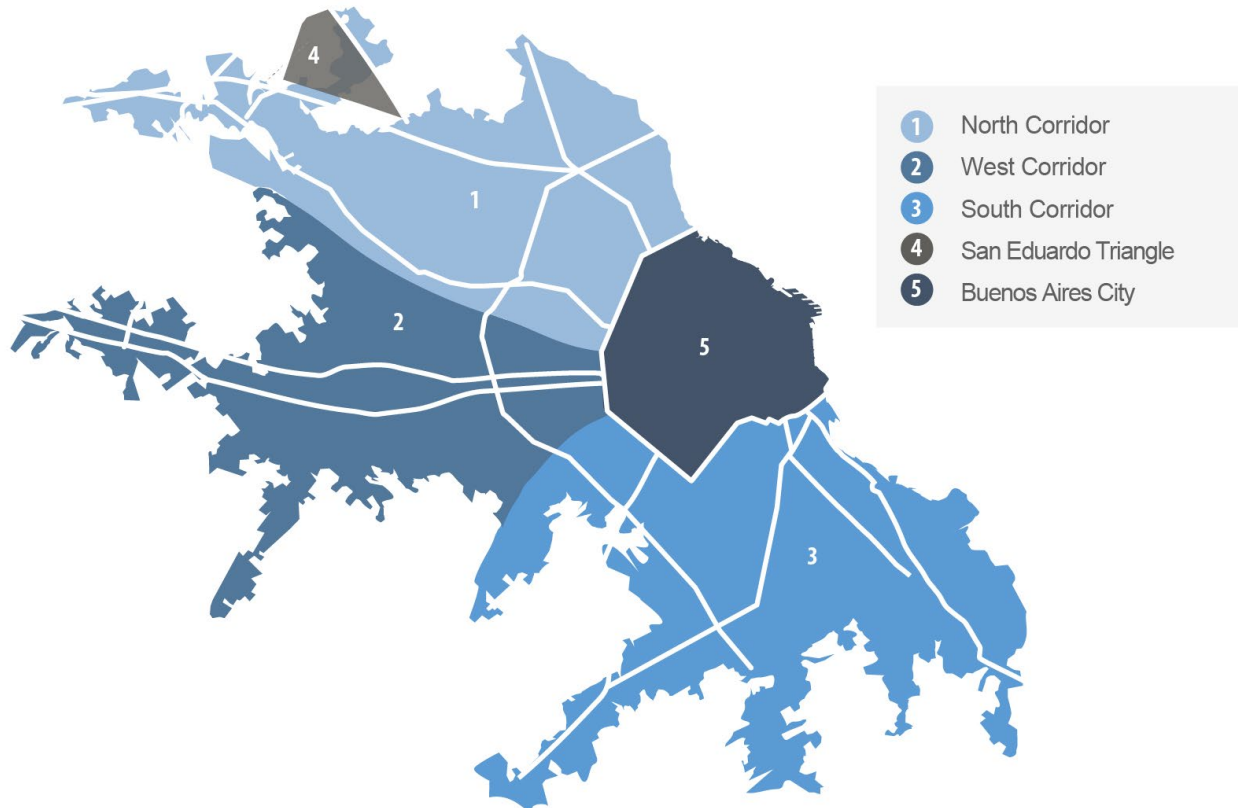
**Real Estate Cycle**



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	-	-	-	592.015	-
Pilar-Fatima	North Corridor	2.555.318	-	-	-	581.251	-
TSE	North Corridor	7.449.781	33.368	0,40%	531.737	767.466	9,5
Cam. Del Buen Ayre	North Corridor	753.473	215.278	28,60%	-215.278	-	9,5
West Corridor	West Corridor	983.282	-	-	-	-	-
South Corridor	South Corridor	4.316.324	223.459	5,20%	31.000	463.924	8,5
Buenos Aires City (CABA)	CABA	462.848	-	-	-	-	-
<b>Total</b>		<b>17.328.318</b>	<b>472.105</b>	<b>2,70%</b>	<b>347.459</b>	<b>2.404.655</b>	<b>8,8</b>

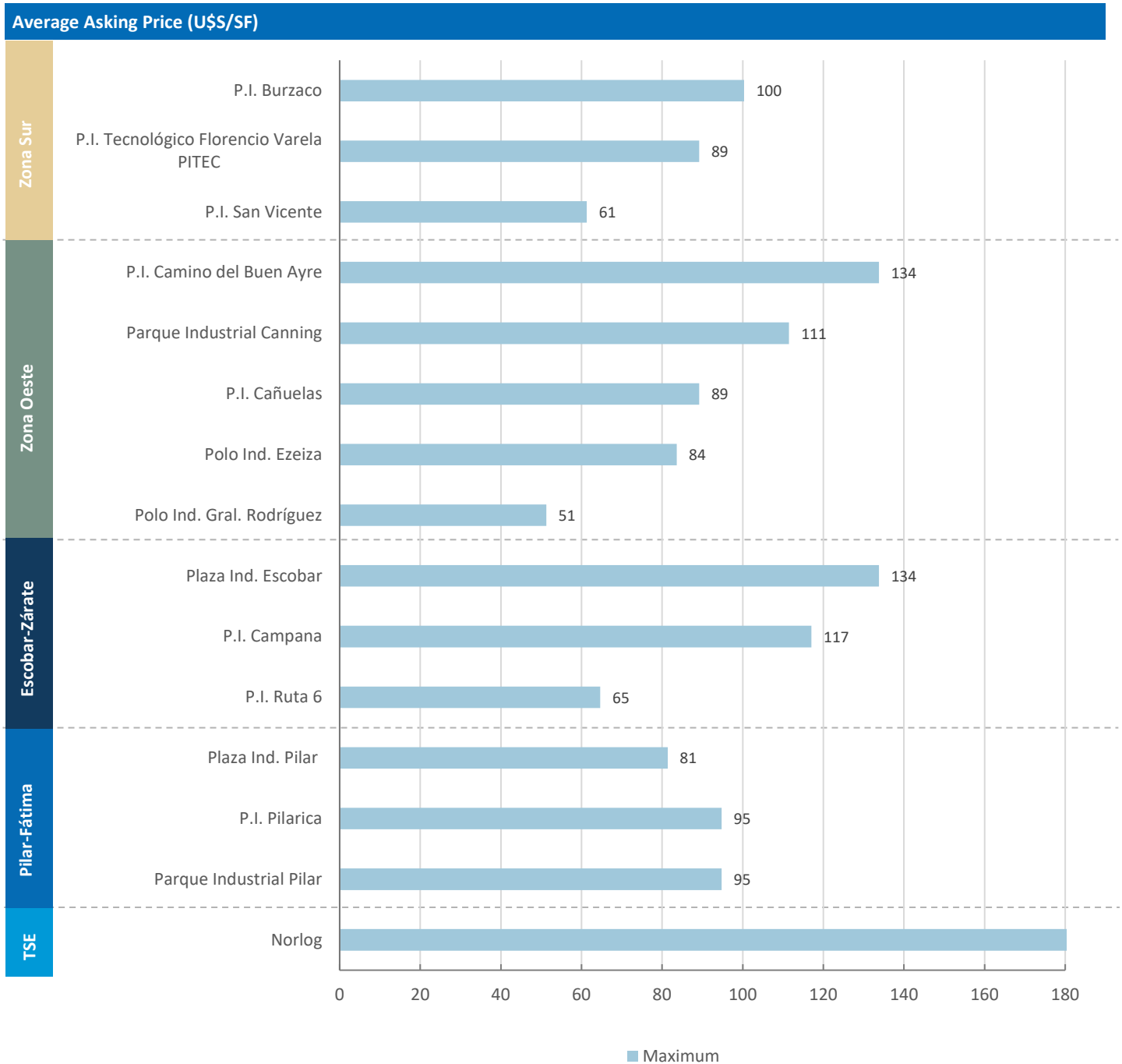
Industrial market – Buenos Aires



**Industrial Parks**

This market represents an opportunity for both investors and developers, as well as companies in production. The industrial market continues to attract the interest of investors acquiring land for logistics, a market with a critical shortage of supply in strategic locations, as well as production companies buying land to set up in spaces created for such purpose.

The North Zone continues to attract industrial buyers. During the third quarter of 2023, 247,569 SF were sold in the Escobar-Campana-Zarate Corridor at \$122/SF, and 107,639 SF were sold in the Pilar-Fatima area at \$83/SF.



### 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.

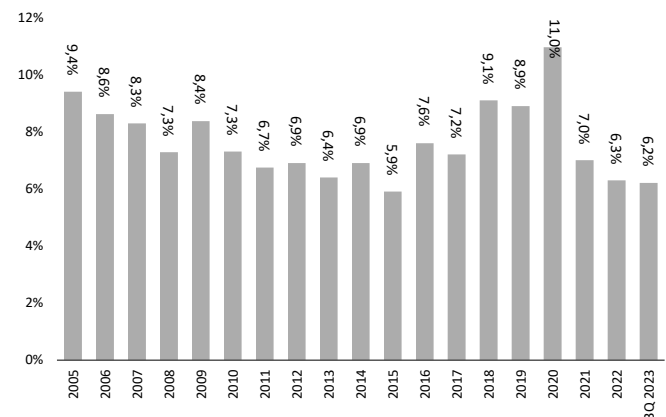
Despite this complex situation, unemployment rates have remained stable since the end of last year, while real incomes of formal and informal employees are eroding strongly in the face of rising inflation. In this regard, the recent modification and approval of the income tax law will not come into effect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

### Economic indicators 3Q 2023

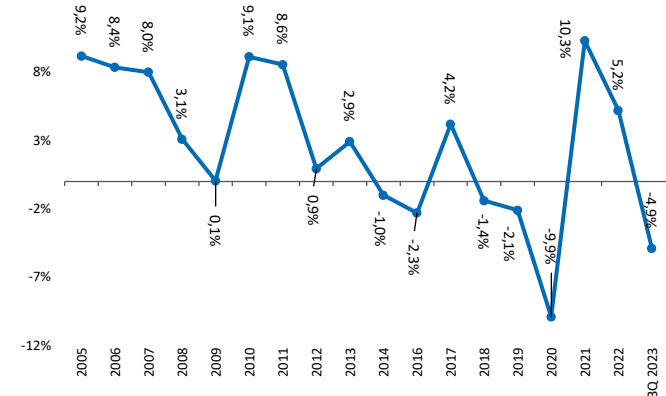
Capital City	Buenos Aires
Population (estimated 2023)	46.654.581
GDP MM	US\$ 441.580
GDP per capita MM	US\$ 9.465
Currency	Peso
Unemployment Rate	6,2 %



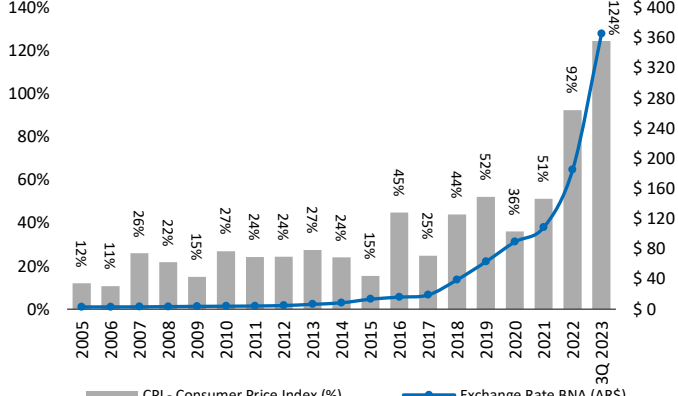
### Unemployment rate (%)



### 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)

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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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