Latin America Industrial Market

The Market Keeps Intense Activity and Vacancy Decreases

Buenos Aires, Argentina

The fourth quarter of the year ended with encouraging indicators, which show that demand has exceeded the limited supply of premium spaces. Throughout 2023, the market has continued to be marked by a noticeable scarcity of Class A logistics spaces. Consequently, there is constant demand that, despite the difficult economic conditions seen currently, there is no motivation strong enough to start new speculative projects. Therefore, considering the economic uncertainty affecting the country, developers prefer to keep only a minimal production of new spaces.

Río de Janeiro, Brasil

During the current half, there was a contraction in the net absorption of occupied spaces, finishing at 40,500 m², which represents a decrease compared to the 47,000 m² reported during the first half of 2023. The absence of any additions to the inventory of available spaces caused a reduction in the vacancy rate to reach 15.7%. Despite the market fluctuations, the average asking price for leasing remained stable throughout the quarter, constantly at USD 4.36/m2 per month.

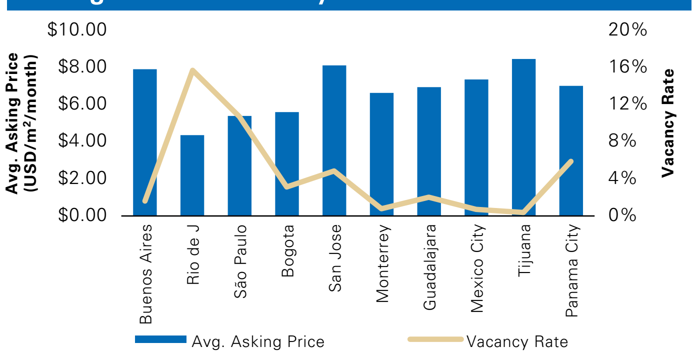
Current Conditions

- Absorption during the year's second half grew by 33%, a considerable growth representing a total of 2.5 million m².
- The inventory exceeded 60 million m² during this half, a 3.6% growth by the closing of 2023.
- The vacancy rate did not show substantial changes, staying at 4.2%.
- Leasing prices grew by 7% due to the strong demand from the logistics and industry sectors.

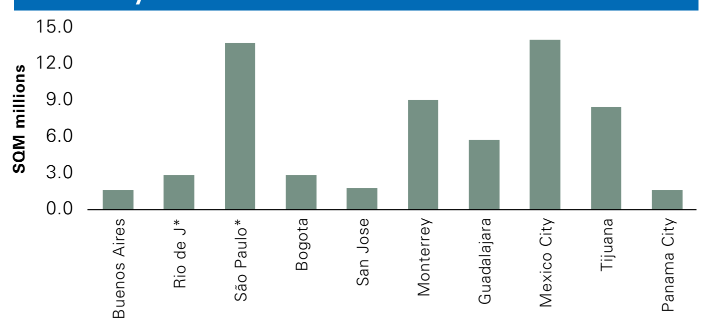
Market Overview

	Current Semester	Previous Semester	12 Month Forecast
Total Inventory (m²)	60,08M	59,58M	↑
Vacancy Rate	4.2%	4,3%	→
Semester Net Absorption (m²)	2.50M	1,87M	↑
Avg. Asking Price (USD/m²/month)	$6.66	$5,31	↑
Under Construction (m²)	4,00M	4,13M	↑

Asking Price vs Vacancy Rate



Inventory



*Class A buildings

NEWMARK

Sao Paulo, Brazil

During the last quarter of the year, there was a greater volume of new inventory released. However, this translated into a slight increase in the vacancy rate, which augmented by 1% during the last quarter. Regarding demand, the accumulated results as of this date show a gross absorption of 1.79 million m² and a net absorption of 1.2 million m², staying stable compared to the same period of 2022. The average asking lease price per month continues growing, closing the quarter at USD $5.40 per m² per month.

San Jose, Costa Rica

The industrial market in Costa Rica's Greater Metropolitan Area (GAM) featured intense movement throughout 2023. These activities were largely driven by the growing interest in manufactured goods, the expansion of manufacturing companies already active in the country, the arrival of new companies related to the sector, the strengthening of foreign trade, and the development of logistics at the local and regional levels. The global vacancy rate of this market stood at 4.58%, showing a moderate decrease compared to December 2022. It is expected that this trend will continue throughout this year.

Bogota, Colombia

During the second half of 2023, there was an increase in the demand for Class A spaces. At the same time, the vacancy for such spaces shrunk substantially, creating a highly competitive environment and pushing leasing prices up. Regarding industrial park developers, they still focus on the creation of tailored projects (Build-to-Suit, BTS) with the purpose of minimizing risks and maximizing profits. In 2024, financing costs and construction will be crucial factors for the development of new projects.

Mexico City, Mexico

The industrial sector, particularly related to logistics, remains a vibrant and dynamic market in Mexico City. Eight out of its ten sub-markets are considered highly attractive to national and international investors. The inventory showed an increase of 110,000 m², now totaling more than 14 million m². Regardless, it is expected there will be a substantial increase for the year 2024 due to the finishing of very large developments. Even though these are still under construction, they already entail considerable transactions. The most active sub-market was Cuautitlán, with over 60,000 m².

Guadalajara, Mexico

The market showed to be leaning toward speculative spaces, representing 83% of the total gross absorption for this half. The net absorption for this half yielded positive results, driven by the occupation of existing spaces, as well as a 16% increase in asking prices, and an increase in the vacancy rate compared to the previous half. It must be noted that the construction of two industrial parks in the city's main sub-market, whereby El Salto recorded 84% of the occupations during this half. Regardless, there is a perceived slowdown in terms of surface under construction, which coincides with a decrease in total Foreign Direct Investment (FDI) compared to the year prior.

Monterrey, Mexico

During the second half, the net absorption was stable at the closing, showing more than 605,900 m². This number was a contributing factor for the vacancy rate to finish the year at 0.8%. On the other hand, the average leasing price stood at USD $6.64 per m² per month. Regarding space under construction, there was also a decrease, to reach a total of slightly over 937,000 m². Regarding the planning of speculative spaces, a total volume of 1.6 million m² was confirmed.

Tijuana, Mexico

The Tijuana market keeps a vacancy below 1%, with over 390,000 m² under construction. The most active developers are FIBRA Macquarie, with over 50,000 m² under construction, and FINSA, which is developing projects in the outskirts of Tijuana to the east and to the south, with its Rosarito project. Prices show strong growth, with an expansion of more than 40% in the last two years.

Panama City, Panama

As of the closing of 2023, Panama City still features a constant increase in the demand for industrial spaces. This increase has been driven by the expansion of activities in the areas of logistics, internal distribution, and light manufacturing. Regarding the vacancy rate in the market overall, this indicator was only 5.9%, showing a relevant decrease compared to December 2022. It is expected that this rate will continue throughout the rest of the year due to the release of tailored spaces and the addition of new supply.

Market Statistics

	Inventory (SQM millions)	Under Construction (SQM millions)	Vacancy Rate	Net Absorption (SQM millions)	Avg. Asking Price (USD/sqm/month)
Buenos Aires	1,65	0,18	1,6%	72,340	$7,90
Rio de Janeiro	2,85	0,12	15.7%	40,594	$4.36
Sao Paulo	13,71	1,17	10.7%	564,114	$5.40
Bogota	2,87	0,15	3.1%	154,789	$5.60
San Jose	1,81	0,16	4.9%	166,230	$8.12
Monterrey	9,02	0,93	0.8%	605,968	$6.64
Guadalajara	5,73	0,27	2.0%	27,549	$6.93
Mexico City	14,00	0,61	0,7%	786,539	$7.37
Tijuana	8,43	0,36	0,4%	124,874	$8.46
Panama City	1,61	0,20	5.9%	31,288	$7.02
Total	**60,08**	**4,00**	**4,2%**	**2,501,946**	**$6.66**

Economic Conditions

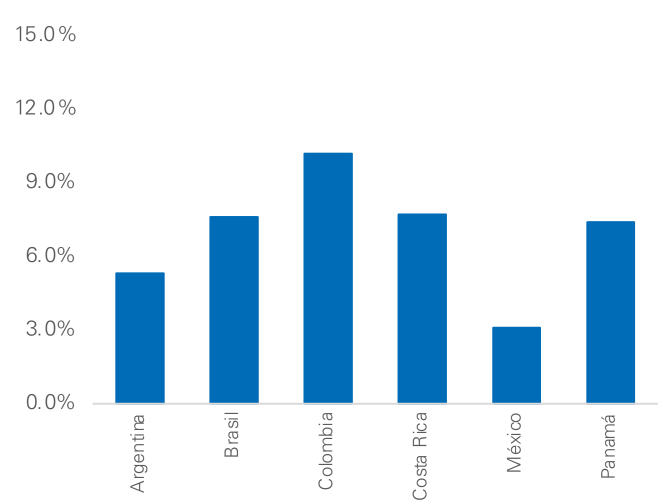
Argentina

The fourth quarter of 2023 concluded with the final step of the extensive electoral process. The recently installed government stated its intention to seek a fiscal balance by substantially reducing public expenses while also carrying out a substantial restructuring of the state.

As a consequence of the ambitious fiscal consolidation pursued by this administration, it is expected there will be a marked decrease in the amount of currency issued to support the Treasury. At the same time, it is forecasted that there will be an adjustment in currency exchange rates and fees during the first half of the year.

For 2024, the expectation is that there will be a considerable inflow of foreign currency brought about by exports due to the reactivation of the agricultural sector and an energy surplus forecasted for this year.

Unemployment Rate



Brazil

The last inflation report by the Central Bank (December 2023) showed a slight decrease in economic activity by the end of the year. However, it also revised its GDP growth forecast, going from 2.9% to 3.0% for the year. This is derived from a better performance in farming and ranching, which are expected to grow 15.5% for the year. Likewise, services, the largest contributor to the country's GDP, are due to grow by 2.5%, mainly driven by the sub-sectors of financial intermediaries and related services, along with real estate and leasing. It is expected that the manufacturing industry will undergo some contraction due to the poor performance of extractive industries, particularly pertaining to iron, other minerals and metals, and construction. The base interest rate has decreased, standing at 12.2% by the end of 2023 and 11.2% by the beginning of this year.

Colombia

Throughout 2023, the forecast was dominated by sustained inflation and an economic slowdown. Colombia, which was previously known as one of the Latin American countries and emerging economies showing a remarkable economic recovery after the pandemic, showed signs of slowing down during the second half. The slower growth was observed in some crucial sectors, such as industry, trade, and construction, which elicited concerns about potential economic stagnation. In terms of investment, there have been four quarters of continuous contraction as of October 2023. This marked a trend not seen since 2005, not considering the pandemic. The year 2024 seems like it will pose a substantial challenge, putting the resiliency of companies to the test as the final phase of a highly complex economic adjustment unfolds.

Exchange Rate vs US Dollar

Country	2Q22	4Q22	2Q23	4Q23
Argentina	130	185	266	828
Brazil	4,96	5,21	4,82	4,84
Colombia	3.953	4.868	4,100	4,000
Costa Rica	692	602	549	516
Mexico	20,05	19,50	17,70	17.19

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

Costa Rica

The Costa Rican economy closed 2023 with a 5% growth, spurred on by demand, both domestic and foreign. Inflation, which had previously peaked at 12% in August 2022, underwent a decrease, stabilizing near 3% as of the closing of the year. Likewise, the unemployment rate remained stable. The forecasts for 2024 are encouraging, with an expected economic growth of 4.3%. The government is implementing policies that seek to reduce the fiscal deficit and strengthen the country's competitiveness. It is believed that direct foreign investment and the tourism industry will continue driving growth. Fiscal sustainability, reducing unemployment, and improving infrastructure are the main challenges for Costa Rica.

Mexico

By the end of the second half of 2023, Mexico featured an economy with mixed signals. On the one hand, the GDP has undergone a 3.1% growth, driven by the manufacturing and exporting sectors, which highly leverage the proximity to the United States. Yet, inflation remains an issue, staying at 4.6%, above the goals set by the Bank of Mexico. This has led to a stiffening of the monetary policies. Unemployment has decreased slightly to 3.1%, but the recovery of employment rates comparable to pre-pandemic levels is still an elusive goal. Direct foreign investment continues to be stable, even though uncertainty in terms of domestic and foreign policies could impact confidence among investors.

Panama

Panama's economy closed the year 2023 with a positive overall performance, showing a GDP growth between 5% and 6%, which makes it the strongest in the region. The most outstanding sectors were trade, construction, transport, and communications. Nonetheless, some challenges persist, such as inflation, which continued near 4%, and an unemployment rate that, despite decreasing, remains above 7%. Inequality also represents a substantial issue. The forecasts for 2024 are optimistic. The International Monetary Fund (IMF) forecasts a 6% growth, while the Economic Committee for Latin America and the Caribbean (CEPAL) forecasts a 4.2% growth. To leverage these opportunities, it is essential to promote public investment in infrastructure and job creation, maximize the productivity in the Panama Channel for international trade, and strengthen the tourism industry.

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