

BUENOS AIRES INDUSTRIAL MARKET

TOWARDS THE NEW NORMAL

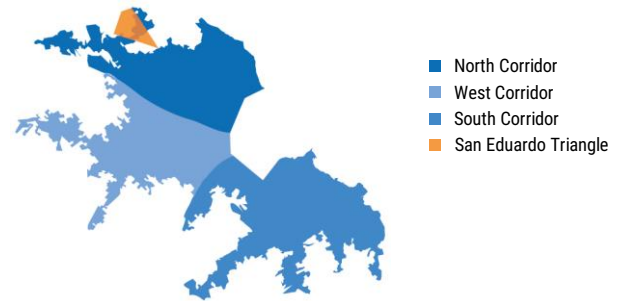
INDUSTRIAL REAL ESTATE MARKET

This report was made during the Covid-19 pandemic. On March 20th, 2020, mandatory quarantine was declared in Argentina, limiting the possibility of commuting to work for most companies. They had to adapt to the new way of working. From March 20 onward, different stages of opening and restricting economic activities were implemented based on the evolution of the pandemic. Given the fact that the mandatory quarantine is still in effect, some conclusions cannot be drawn regarding the impact on market variables such as price, vacancy, absorption, etc., since there are negotiations between the main market players and no general market trends are notable yet.

Buenos Aires is the largest industrial property market in Argentina, with approximately 2.3 million square meters of Class A warehouse space and more than 12,017 acres of industrial parks, representing 50.0% of the country's market.

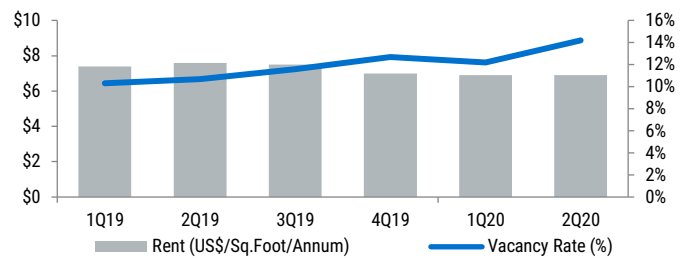
The stock of Class A warehouse remained essentially unchanged from the previous quarter, reaching 2.32 million square meters. The vacancy rate increased to 14.2%, and the average rental rate remained stable at \$6.90/SF.

SUBMARKETS

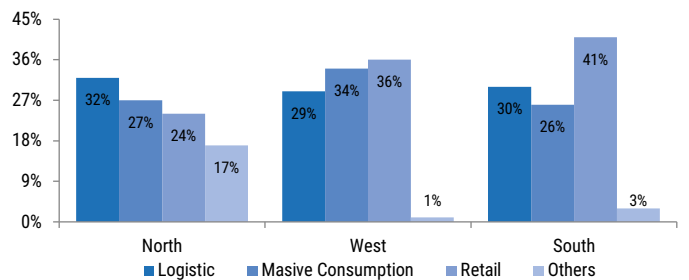


MARKET ANALYSIS

Asking Rent and Availability



Activities by Submarket



ARGENTINA

Capital City	Buenos Aires
Population (2020)	45,376,763
GDP MM (Q1 2020)	USD 629,4
GDP per capita	USD 13,870
Currency	Peso
Unemployment Rate (Q1 2020)	10.4%



MARKET SUMMARY

Premium Warehouses	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	25,1 MSF	25,1 MSF	24,9 MSF	➔
Availability Rate	14.2%	12.2%	10.7%	⬇
Quarterly Net Absorption	-511,285 SF	242,188 SF	-48.438 SF	⬇
Average Asking Rent	\$6.90	\$6.90	\$7.60	➔

TOWARDS THE NEW NORMAL

Industries in general are experiencing strong interruptions in production and sales. This is reflected in the industries that were declared as affected in terms of the Emergency Assistance Program for Work and Production (ATP Program), but industries from all sectors, sizes and regions are in trouble.

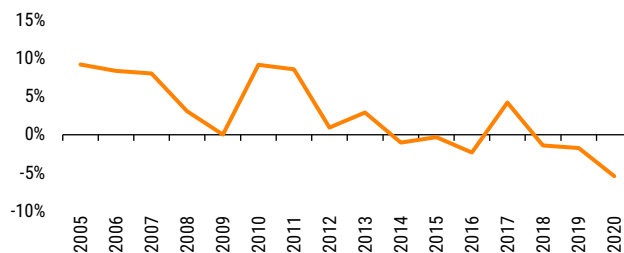
According to the last Argentinian Industrial Union report, 71.0% of industries are within the sectors declared as affected by the Emergency Assistance Program for Work and Production. 64.0% of industries in this group have their production paralyzed; 71.0% registered falls in sales of more than 60.0% and only 2.0% had no fall in sales.

The remaining 29.0% comprise sectors with nonessential or unaffected activities. There are also numerous difficulties in this group: 35.0% of the industries are not in production; 43.0% registered falls in sales of more than 60%; and only 15.0% did not experience a decrease in demand.

In the face of the crisis, industries prioritized the payment of wages over the rest of the fixed costs. The percentage of industries with difficulties in meeting payments is high (44.0% of the industries stated that they did not have the liquidity to pay 50.0% of wages), while 12.0% were unable to pay wages at all.

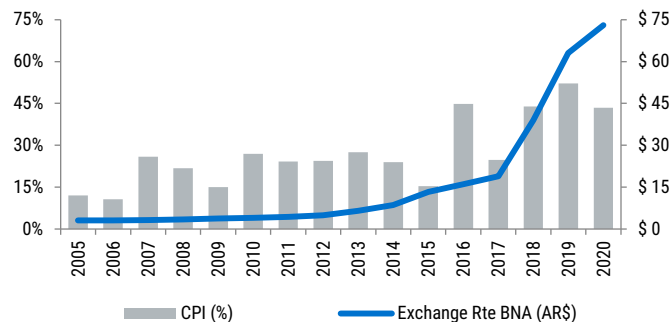
38.0% could not pay public services, 48.0% did not pay suppliers and 57.0% could not pay taxes.

GDP



Source: INDEC
GSP 2015 = 1,00 Cepal

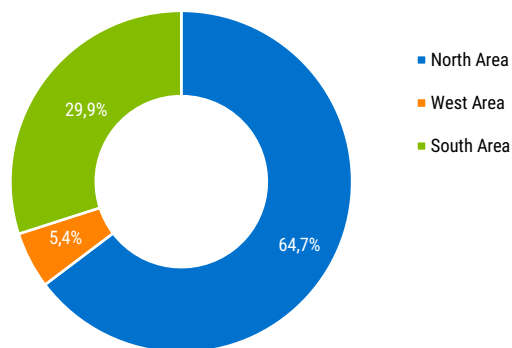
EXCHANGE RATE - CPI



Source: Banco de la Nación Argentina, INDEC
1999-2007/2015-2017 INDEC
2008-2014 Calculated through the price for the consumer geometrical average calculated by statistical institutes

INVENTORY COMPOSITION

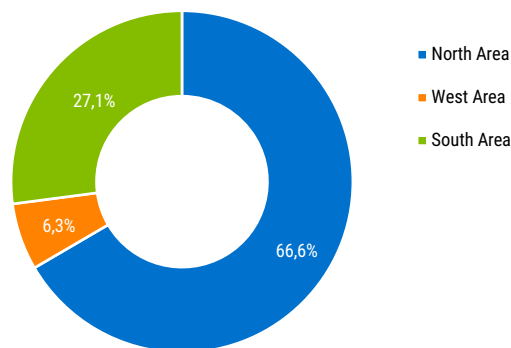
Premium Warehouses



Source: U.S. Bureau of Labor Statistics

INVENTORY COMPOSITION

Industrial Parks



Source: U.S. Bureau of Labor Statistics

Faced with this, many industries still show financial drowning as a result of difficulties in accessing the announced credit programs. In the total universe of surveyed industries, there is a break in the payment chain. 81.0% of industries were unable to cash checks in April, and there are 60.0% of industries with difficulties in paying wages as they do not have access to credit.

To find answers to this crisis, it is essential to complement the ATP program with Central Bank initiatives that allow for greater and faster access to the financial system. This will be essential to guarantee production and employment in a recession such as the current one.

INDUSTRIAL PARKS

Regarding industrial parks, the main players in the area have been meeting and working to prepare protocols for industrial parks. These meetings and exchanges of opinions also generate a space for synergy and a collaborative spirit where different professionals share experiences.

The main objective is to generate a framework and protocols regarding the necessary preventive measures that industrial parks must take during the COVID-19 crisis.

LOGISTIC WAREHOUSES

Three areas of the logistics sector are changing at full speed and are likely to seek answers at higher levels of demand after the current period of uncertainty: the increase in stocks or inventories compared to the historical ones; the exponential growth of electronic commerce; and diversification of logistics or distribution locations, as manufacturers are evolving global supply chain strategies, increasingly emphasizing locations close to adjacent ones.

The consolidation of ecommerce, with sales figures that double those generated before COVID-19 erupted, seems to be one of the characteristics of post-pandemic times. Shopping habits have changed, and there's no going back. The strength of ecommerce is not new, but in Argentina, with the new reality that confinement imposes, it becomes an indispensable element in the face of trade restrictions, and many people who refused to use it are learning the advantages of ecommerce.

The change to online shopping, especially for groceries and basic supplies, must find an answer and will generate increases in the demand for new logistics spaces as it becomes more permanent.

All this implies not only a significant increase in distribution activity (and the employment it generates), but also the demand for new logistics centers and warehouses.

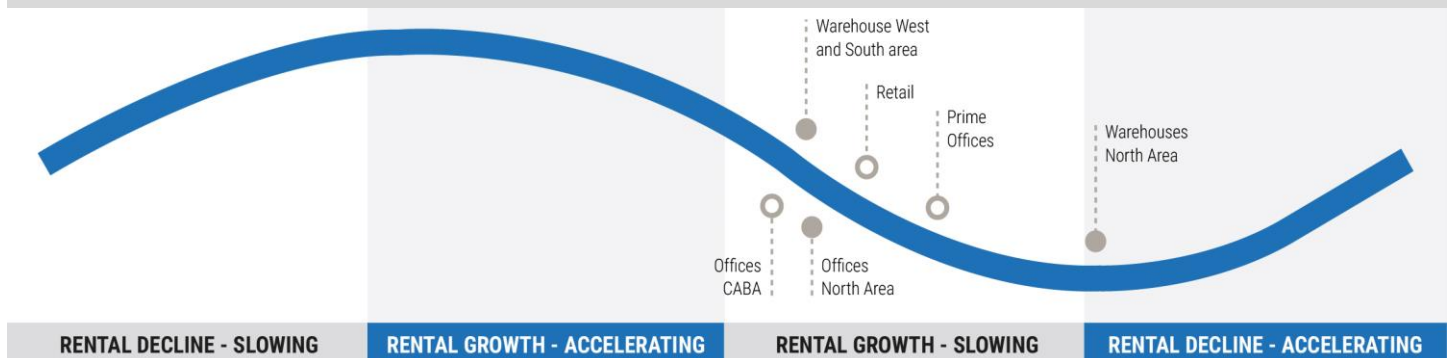
The last mile will surely consolidate as a complement to logistics once the cities return to the normal rhythm, with the increase in the volume of traffic that makes micro-distribution so difficult. This outbreak can accelerate the use of automation and robots in operations and direct labor to other functions.

INDUSTRIAL AND LOGISTIC MARKETS

As for real estate, the purchase and sale operations in both industrial parks and logistics properties have slowed down, waiting for more clarity on how the situation will evolve. The greater activity is reflected in queries and reports for some funds that have been left with pesos in the market and are looking for options to invest and obtain some type of income.

REAL ESTATE CYCLE

Office Market, Industrial Market, Retail



MARKET STATISTICS

	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Asking Rent (US\$/SF/YR)
PREMIUM WAREHOUSES				
North	16,268,976	2,682,364	16.5%	\$7.60
West	1,346,295	392,882	29.2%	\$6.50
South	7,530,276	495,139	6.6%	\$6.80
TOTAL	25,145,547	3,570,386	14.2%	\$6.90

	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Asking Sale Price (US\$)
INDUSTRIAL AND LOGISTICS PARKS				
North	348,535,082	244,179,072	70.1%	\$108.00
West	33,152,812	8,342,023	25.2%	\$63.50
South	141,760,563	21,635,439	15.3%	\$67.00
TOTAL	523,448,457	274,156,533	52.4%	\$79.50

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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