

BUENOS AIRES OFFICE MARKET

WORKPLACES SURVEY

THE OFFICE 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 of the pandemic 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 office market in Argentina, with nearly 27.0 million square feet of total stock, including 17.1 million square feet of rentable Class A space.

The second quarter of 2020 shows an increase in vacancy and negative net absorption after four consecutive quarters of positive net absorption. The vacancy rate for second-quarter 2020 closed at 9.18% of the available stock, and net absorption was negative 167,056 square feet. The average rental value decreased slightly compared to first-quarter 2020, averaging US \$29.44/SF.

No relevant incorporations occurred in the Class A market during second-quarter 2020, and no additions to the stock are expected until activity resumes.

ARGENTINA

Capital City	Buenos Aires
Population	45,376,763
GDP MM (Q4 2019)	USD 629,40
GDP per capita	USD 13,870
Currency	Peso
Unemployment Rate (Q4 2019)	10.4%



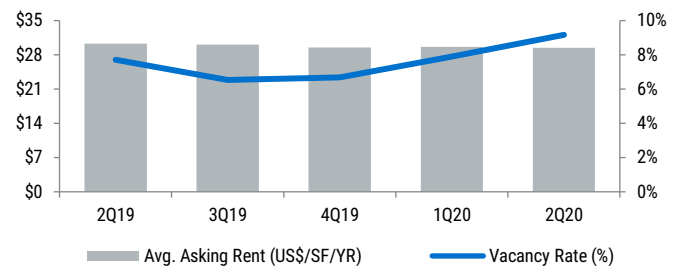
CURRENT CONDITIONS

The weighted average asking price decreased slightly from the prior quarter, averaging \$29.44/SF. Premium asking prices average \$35.12/SF.

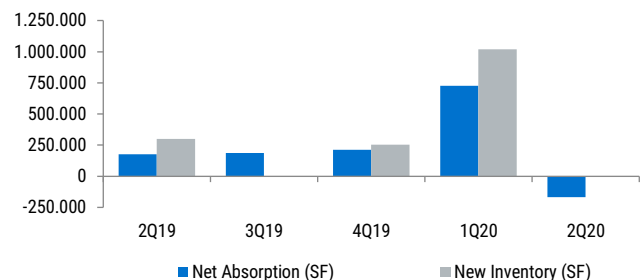
Class A vacancy raised compared to the previous quarter, averaging 9.18%, one of the lowest vacancy rates in Latin America.

MARKET ANALYSIS

Asking Rent and Availability



Net Absorption



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	27,0 MSF	27,0 MSF	24,9 MSF	↑
Availability Rate	9.18%	7.90%	7.72%	↗
Quarterly Net Absorption	-167,056 SF	733,689 SF	175,753 SF	↘
Average Asking Rent	\$29.44	\$29.67	\$30.30	↘
Under Construction	3,4 MSF	3,4 MSF	4,8 MSF	→

RENT VALUES BY SUBMARKET

Every submarket has a particular area or property that outperforms the rest. Significant variations can be verified between certain properties and the average of each submarket.

The blocks located in Catalinas between Avenida Leandro N. Alem and Avenida Madero have average asking rents as high as \$44.59/SF, compared with \$32.59/SF for the rest of the submarket.

In Northern Buenos Aires, the most popular and most expensive buildings are located around the intersection of Avenida General Paz and Autopista Ingeniero Pascual Palazzo, recently renamed Polo Dot. Some properties there command as much as \$33.44/SF, whereas asking rents in that submarket average only \$28.51/SF.

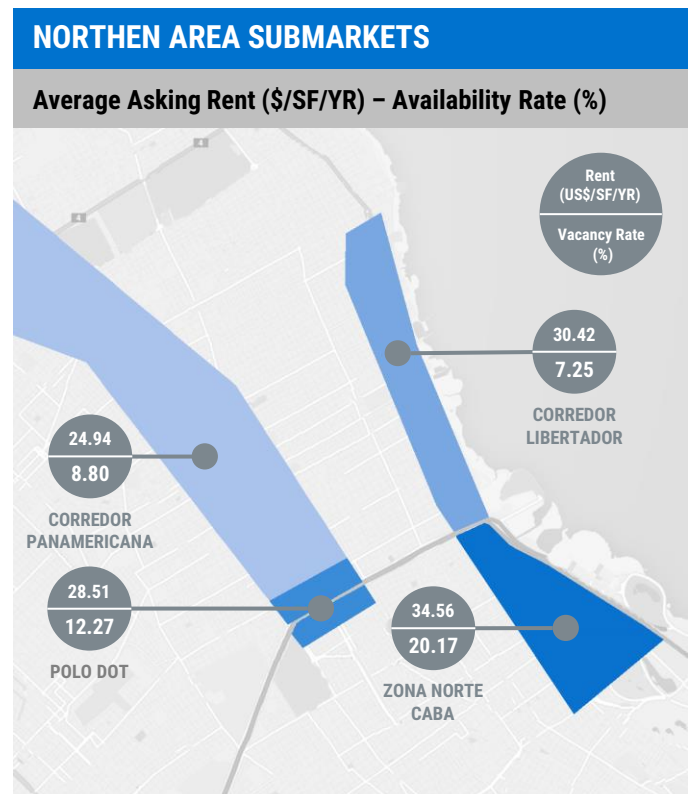
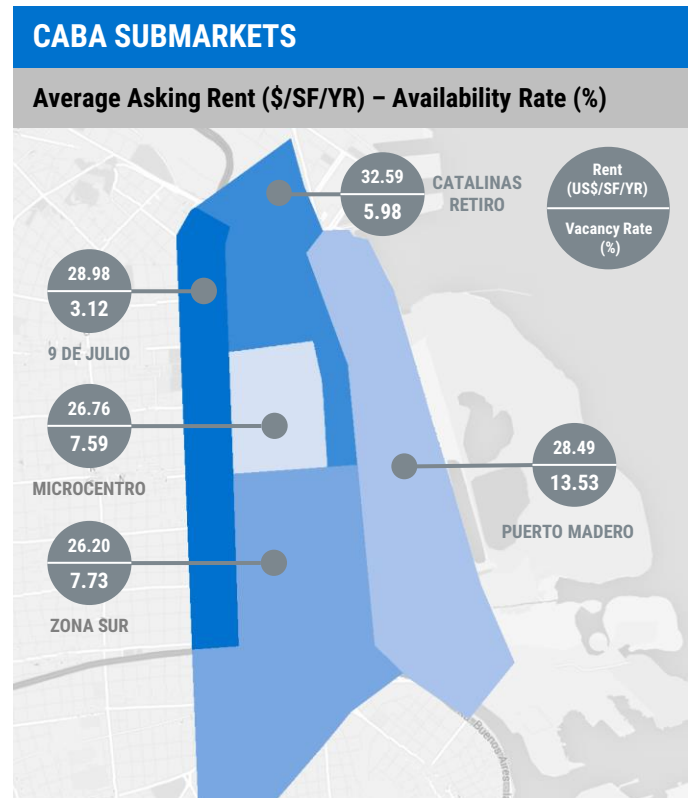
Lastly, the Panamericana Corridor has areas that are in high demand because of the submarket's geographical distribution and extension. The most in-demand offices are located in the Lumina Panamericana, Thames Office Parc, Urbana, Optima Business Park, Bureau Parc San Isidro and Edision Officia complexes. Although asking rents in these buildings reach \$27.87/SF, the average rent is \$24.94/SF for the rest of the submarket.

INVENTORY CHANGE

No relevant incorporations occurred in the Class A market in first-quarter 2019.

For second-quarter 2020, the incorporation of the Bureau Diagonal building with 134,549 profitable square feet and the Millenium Global Building with 218,281 profitable square feet, both in the Microcentro submarket, was expected. These projects, as well as the Worko building in the GBA Panamericana submarket that was scheduled for the last quarter of the year, will be delayed due to the construction restrictions imposed by the mandatory quarantine.

After four consecutive quarters of net positive absorption, this quarter showed negative net absorption of 167,056 square feet.

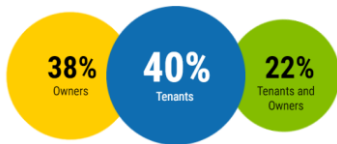


WORKPLACES SURVEY

In the context of the new reality determined by Covid-19 pandemic, at Newmark Knight Frank we conducted a survey among the 185 most important companies in Argentina about the main aspects of real estate, aiming to analyze the work experience during this period of constant adaptation and the impact the pandemic has on companies.

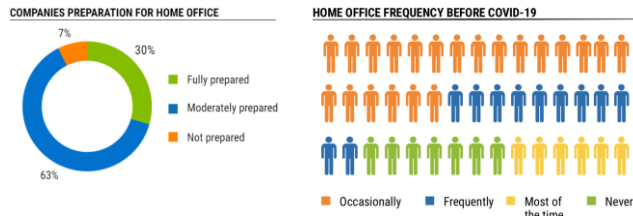
COVID-19 forced everyone into a new dynamic with a strong impact on the way of working and little time to prepare for it. It is impossible to know exactly what the consequences will be or their extent, but certainly some things will no longer be the same as before, from the organization of workspaces to the interaction between employees.

56.0% work in companies with more than 500 employees.
 40.0% of companies rent workspaces, 38.0% are owners and 22.0% are tenants and owners.
 18.0% of the people consulted for companies that, in addition to a main location, use coworking spaces.



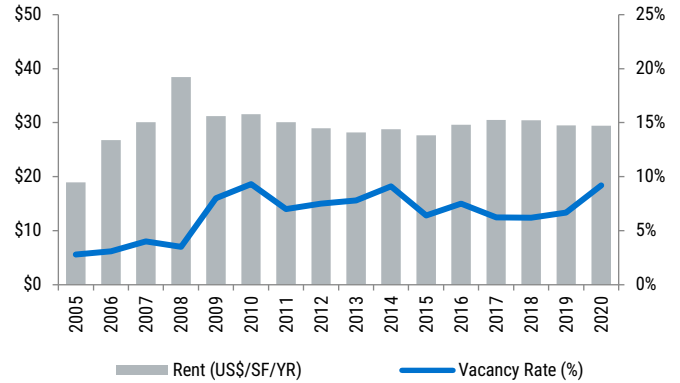
Most people (63.0%) believe their organizations are prepared for to work from home, 30.0% believe they are fully prepared and 7.0% believe they are not prepared at all.

However, while 46.0% occasionally did remote work before COVID-19, only 22.0% did it frequently, 13.0% most of the time, and 14.0% never did.



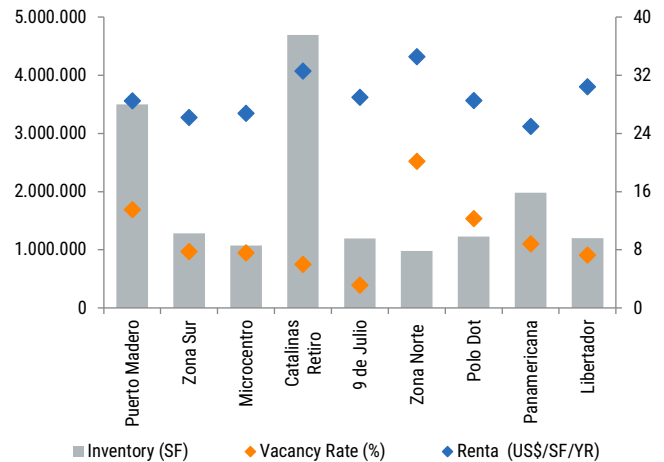
AVERAGE ASKING RENT vs AVAILABILITY

Class A

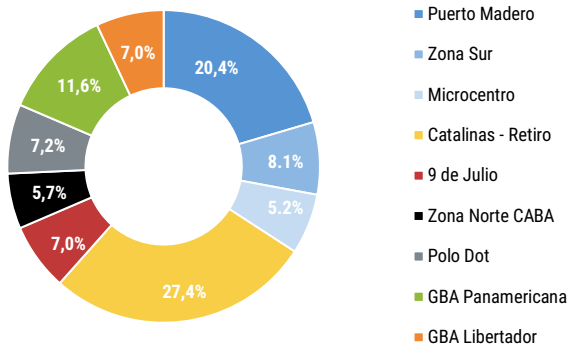


AVERAGE ASKING RENT - AVAILABILITY

Inventory By Submarket

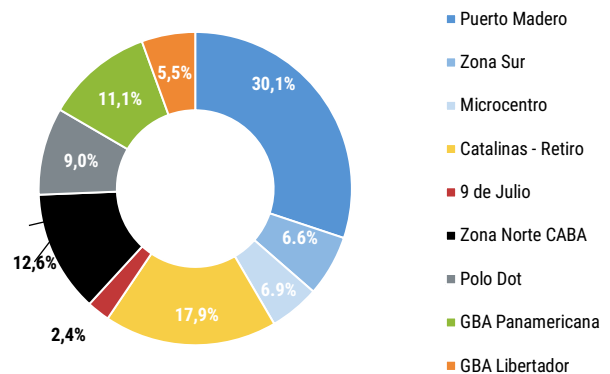


INVENTORY COMPOSITION



Source: U.S. Bureau of Labor Statistics

AVAILABILITY COMPOSITION



Source: U.S. Bureau of Labor Statistics

Both employers and employees evaluate the remote work experience imposed by COVID-19 in a positive way. 60.0% of employers believe productivity remains stable, and employees believe their ability to concentrate is high.

Only 10.0% prefer to work at home, while 60.0% prefer a flexible modality for returning to work, with a mix of home office and face-to-face work, implementing it with two days per week of remote work and three of face-to-face work.

68.0% believe the return to the office will take place with more space per person, while 32.0% think that it will be with rotating shifts.

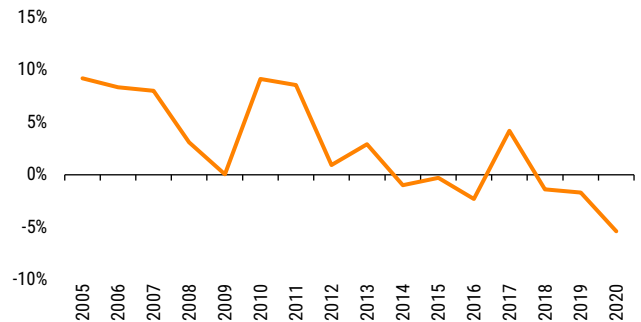
Most companies believe the pandemic will have a significant effect on their sectors, albeit with a moderate impact on their workforce. Likewise, there is a broad consensus that social distancing and sanitary measures will continue for a long time.

60.0% of company managers believe that recovery time will be less than a year.

48.0% of companies plan to optimize their spaces in the medium term. The most relevant aspects when it comes to enhancing spaces will be costs, followed by the number of spaces occupied and, to a lesser extent, the area they occupy. This will be implemented mainly through changes in layout and consolidation of locations, and incorporation of coworking spaces. 50.0% believe their company will maintain the same areas they occupied before the pandemic, while 48.0% believe the areas they occupy will decrease and only 2.0% anticipate growth.

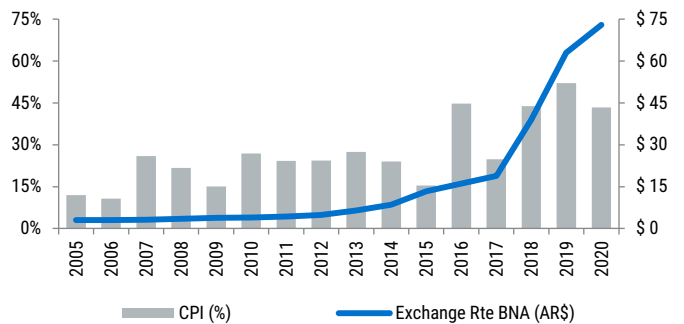
Catalinas-Retiro continues to be the area chosen by most of the companies to settle, followed by the General Paz and Panamericana node and the different specific economic districts for certain areas.

GDP



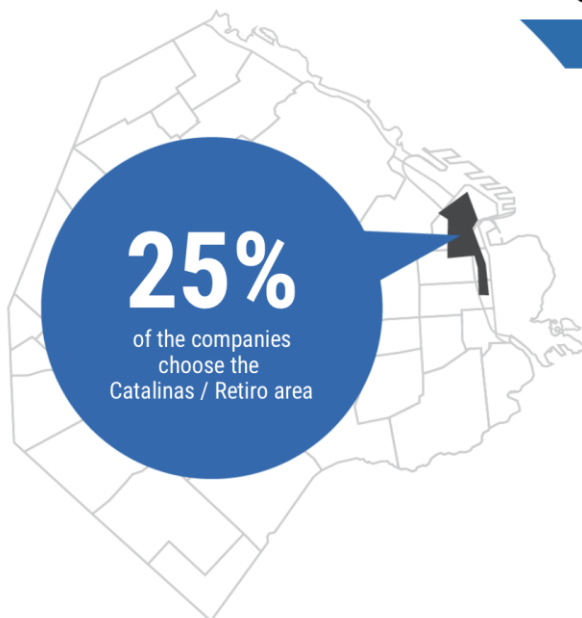
Source: INDEC
GSP 2015 = 1,00 Cepal

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

CATALINAS / RETIRO



25%

Specific Economic Districts

15%

General Paz and Panamericana Node

15%

Panamericana Corridor

13%

Microcentro Norte

7%

Palermo

7%

Libertador CABA Corridor

7%

9 de Julio Corridor

6%











Microcentro Sur

5%

MARKET STATISTICS

	Total Inventory (SF)	Under Construction (SF)	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (US\$/SF/YR)	Sublet Asking Rent (US\$/SF/YR)	Total Asking Rent (US\$/SF/YR)
By Submarket								
CABA								
Puerto Madero	3,498,946	58,125	13.53%	-26,791	-68,867	\$28.49	N/A	\$28.49
South Area	1,282,648	0	7.73%	0	0	\$26.20	N/A	\$26.20
Microcentro	1,072,644	353,228	7.59%	0	9,182	\$26.76	N/A	\$26.76
Catalinas-Retiro	4,694,471	800,834	5.98%	-7,524	242,672	\$32.59	N/A	\$32.59
9 de Julio	1,194,158	0	3.12%	1,345	-29,977	\$28.98	N/A	\$28.98
Midtown	979,989	605,426	20.17%	-51,731	511,748	\$34.56	N/A	\$34.56
Polo Dot	1,228,979	329,375	12.27%	-19,052	-31,484	\$28.51	N/A	\$28.51
GBA								
Panamericana Corridor	1,979,363	880,810	8.80%	-37,910	-41,247	\$24.94	N/A	\$24.94
Libertador Corridor	1,200,326	342,873	7.25%	-25,392	-25,392	\$30.42	N/A	\$30.42
By Class								
Class A	17,131,522	3,370,672	9.18%	-167,056	566,633	\$29.44	N/A	\$29.44

MAIN CLASS A BUILDINGS UNDER CONSTRUCTION

	Project	Submarket	Total Area (SF)	Rentable Area (SF)	Date	Lead
	Lex Tower	Microcentro	259,410	215,278	Q2 2020	
	Worko	GBA Panamericana	526,279	421,019	Q4 2020	
	Al Río Torre Norte	Corredor Libertador	435,894	342,876	Q4 2021	
	Torre Safra	Catalinas Retiro	645,834	452,084	Q4 2021	
	Intecons Plaza	Zona Norte	70,000	36,000	Q4 2022	
	Lumina Florida	Polo Dot	369,363	243,242	2022	

Note: Areas of the projects are approximate pictures are illustrative

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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