

# BUENOS AIRES INDUSTRIAL MARKET

## RETHINKING INDUSTRIAL PARKS

### INDUSTRIAL REAL ESTATE MARKET

This report was made during the Covid-19 pandemic. On March 20, 2020, mandatory quarantine was declared in Argentina, going through different stages of opening and restricting economic activities based on the evolution of the pandemic.

The return to workspaces is taking place gradually, with scaled-down teams operating on alternate days to reduce occupancy and maintain social distance. Although there are still no specific dates to return to the offices, the home office is here to stay, where a rotating percentage close to 30% will work from home.

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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.

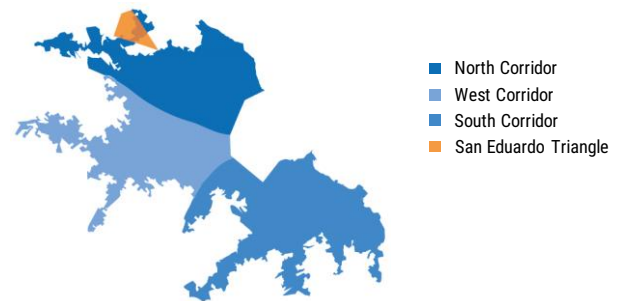
Market indicators did not undergo strong variations during the third quarter of 2020. The stock of Class A warehouse remained unchanged from the previous quarter, at 2.32 million square meters. The vacancy rate increased slightly to 14.5%, and the average rental rate dropped slightly averaging \$6.60/SF.

### ARGENTINA

Capital City	Buenos Aires
Population (2020)	45,376,763
GDP MM (Q1 2020)	USD 606,99
GDP per capita	USD 13,377
Currency	Peso
Unemployment Rate (Q1 2020)	13.1%

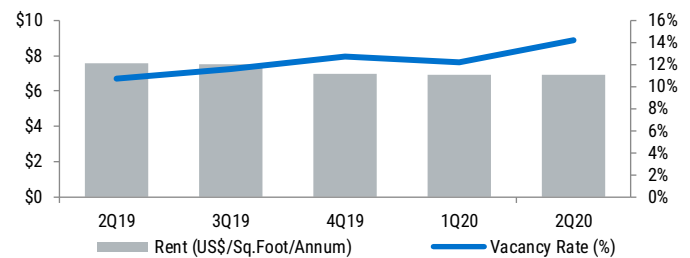


### SUBMARKETS

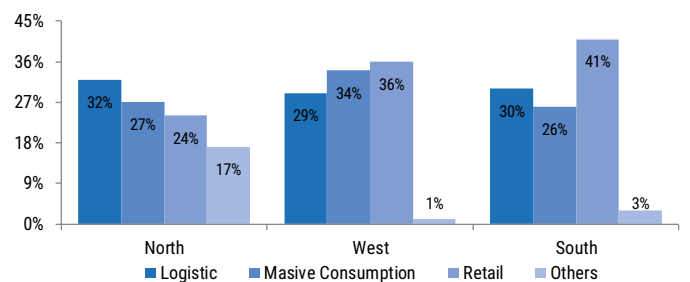


### MARKET ANALYSIS

#### Asking Rent and Availability



#### Activities by Submarket



### MARKET SUMMARY

Premium Warehouses	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	25,1 MSF	25,1 MSF	25,0 MSF	➔
Availability Rate	14.5%	14.2%	10.3%	➔
Quarterly Net Absorption	-69,966 SF	-511,285 SF	487,757 SF	➔
Average Asking Rent	\$6.60	\$6.90	\$7.40	➔

## RE-THINKING INDUSTRIAL PARKS

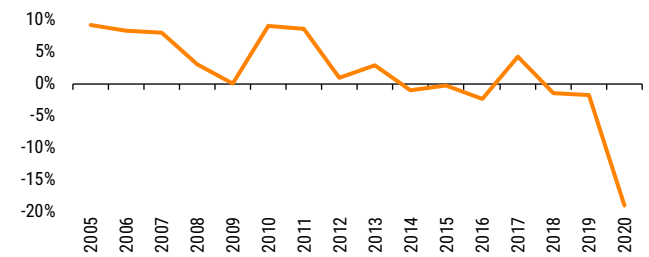
During the first seven months of 2020, industrial activity contracted 11.9% compared to the same period of the previous year. The bottom of the fall in the level of activity seems to have been April, since it was the first full month of mandatory quarantine, where only the sectors considered essential were allowed to operate.

The progressive return to activity in different industrial areas allowed production levels to return to normal. However, the uneven performance, both sectoral and regional, explains that the level of activity is lower than that registered before the local Covid-19 outbreak. This trend towards economic fragmentation is evidenced when sectors are grouped differentially, reflecting the uneven performances of the industrial sectors and the impact of the different stages of quarantine in each region.

Activity in sectors considered essential has increased during the pandemic, and even greater dynamism is expected once previous levels of demand have recovered. On the other hand, there are sectors that, although activity levels were affected at the beginning of the pandemic, have been able to adapt to the context once reopening was enabled.

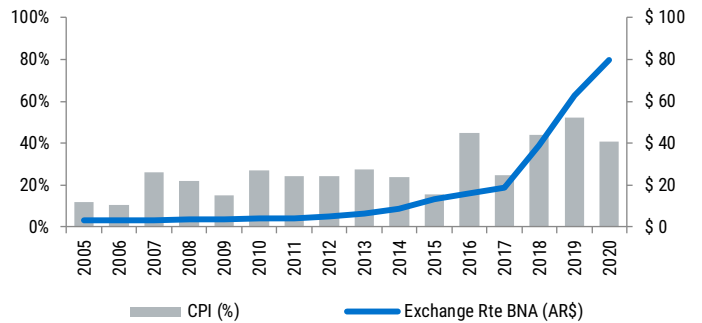
In summary, a stabilization of activity is observed, although at lower levels than at the beginning of the year. This is a consequence of lower domestic demand as a result of falling incomes and uncertainty, higher operating costs linked to the pandemic and low external demand.

## GDP



Source: INDEC  
GSP 2015 = 1,00 Cepal

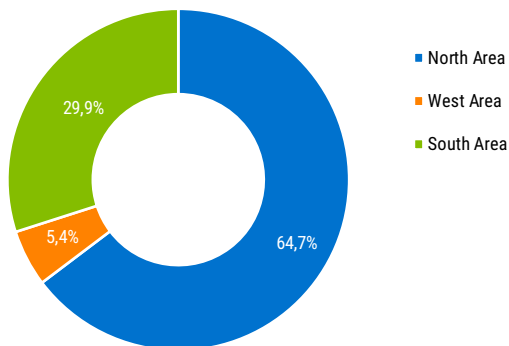
## EXCHANGE RATE - CPI



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

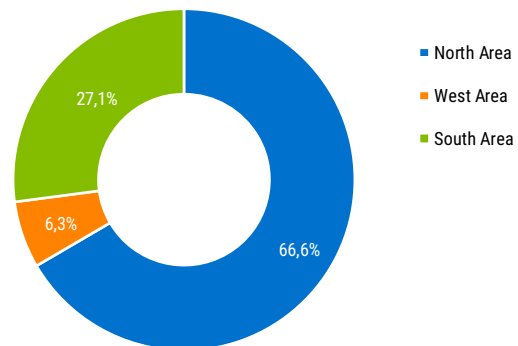
### Premium Warehouses



Source: U.S. Bureau of Labor Statistics

## INVENTORY COMPOSITION

### Industrial Parks



Source: U.S. Bureau of Labor Statistics

## INDUSTRIAL PARKS

Although 2019 was a difficult year regarding the growth and establishment of companies within industrial parks, during 2020 business expectations or an increase in the establishment of companies were completely interrupted by the pandemic. Thus, most of the decisions of the companies regarding new developments or projects were put on hold, at least until understanding this new context.

Some parks are marketing land with competitive values in pesos with the intention of generating new liquidity that allows them not only to maintain fixed costs, but also to recover the business dynamic of previous years. On the other hand, some developers are launching projects focused on SMEs. These are small sectors or areas within an industrial park where they have projected, as a condominium, a sector of small warehouses of between 2,100 square feet and 16,000 square feet aimed at small industries or companies, with the possibility of acquiring these spaces through a payment scheme during its development.

Simultaneously, the government created Decree No. 716, the National Program for the Development of Industrial Parks, which aims to promote land use planning, promote local production planning and the generation of local employment, enhancing synergies derived from common location.

The expansion of the scope of the National Register of Industrial Parks was also ordered, with the aim of optimizing territorial planning and the management of productive policies, considering in it the registrations of Technological Industrial Parks. Additionally, it envisaged the creation of a National Observatory of Industrial Parks in order to complement the federal articulation and institutionalize a space of exchange for regional development.

Among its benefits, it includes nonrefundable contributions of up to \$60.0 million per project for intramural infrastructure works and studies for the construction, expansion and/or regularization of the park. In addition, they will be able to access credits with a discount of up to 50.0% of the annual nominal rate for installation or expansion of productive capacity and expansion of land.

Thus, more than \$3,000 million of contributions and financing will be allocated in the next 12 months. In this first phase of the plan, support will be offered to 48 industrial and technology parks throughout the country, and it aims to reach 300 industrial and technology parks in the 2020-2023 period.

## LOGISTICS DEPOSITS

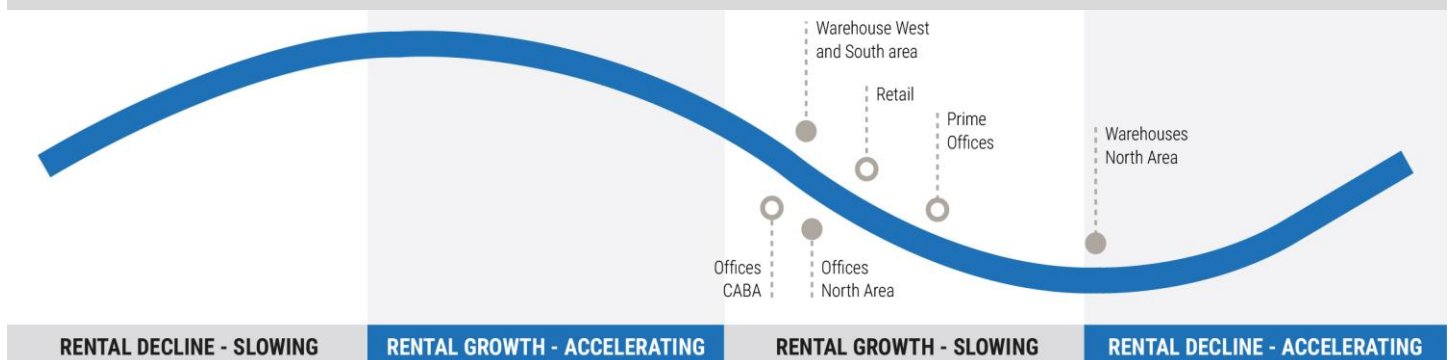
Covid-19 and the declaration of mandatory quarantine brought about an acceleration in the evolutionary process of ecommerce. This led many brands to reduce the area occupied on commercial premises and expand the areas dedicated to warehousing and logistics.

In Argentina in 2018, the annual average of parcel deliveries per inhabitant was only 1, while in the main markets of the world, that number amounted to 20. In 2019, the national average grew by 50% to 1, 5 packages per inhabitant per year. And in January 2020, it was estimated that the average had increased to 2 packages per inhabitant, while in the main markets of the planet, that number increased to 30 packages per person per year. The current scenario, which proposes closed premises and restrictions on the circulation of the public, further stimulated the increase of digital operations. In just 40 days of quarantine, ecommerce grew by as much as was anticipated for the next two years.

Consequently, some companies are rethinking business strategies, reviewing investment costs in logistics spaces, defining some moves to lower-priced locations and obviously resigning quality and services.

## 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)
<b>PREMIUM WAREHOUSES</b>				
North	16,268,976	2,870,732	17.6%	\$7.00
West	1,346,295	312,153	23.2%	\$6.40
South	7,530,276	457,466	6.1%	\$6.50
<b>TOTAL</b>	<b>25,145,547</b>	<b>3,640,351</b>	<b>14.5%</b>	<b>\$6.60</b>

	Total Inventory (SF)	Total Availability (SF)	Total Availability Rate (%)	Average Asking Sale Price (US\$)
<b>INDUSTRIAL AND LOGISTICS PARKS</b>				
North	348,535,082	243,694,696	69.9%	\$104.00
West	33,152,812	8,342,023	25.2%	\$58.00
South	141,760,563	21,473,981	15.1%	\$60.00
<b>TOTAL</b>	<b>523,448,457</b>	<b>273,510,699</b>	<b>52.3%</b>	<b>\$74.00</b>

## 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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