

SOUTH AMERICA

Industrial H1 2023

	GDP Var (%)	Unemployment Rate (%)	Inflation Index (%)
Argentina	1.3	6.9	114.2
Brazil	1.9	8.8	3.9
Chile	-1.1	8.5	8.7
Colombia	0.6	10.4	12.4
Peru	1.7	7.1	6.5

Sources: Latest official data available
LCA and National Statistics Institute per country

ECONOMIC OUTLOOK

South America shows relative resilience to the war in Ukraine. In 2022 regional economies expanded by almost 4%, employment rebounded strongly, and the service sector recovered from damage inflicted by the pandemic.

Except for Argentina, inflationary pressures are diminishing in many countries thanks to immediate and decisive actions taken by central banks and the drop in global food and energy prices. Nevertheless, core inflation (i.e. excluding food and energy) remains high at around 8% in Brazil and Chile (and slightly higher in Colombia, but lower in Peru).

Growth has slowed, creating uncertainty for the future.

LOGISTICS REGIONAL MARKET OVERVIEW

Demand remains high for Class A warehouse space in the main cities of South America but has decreased 23% since 2022. **Santiago, Bogota,** and **Buenos Aires** have vacancy rates of 0.70%, 1.66% and 2.80% respectively. The vacancy rates of **Bogota** and **Buenos Aires** are expected to further decrease, as the available surface area is not sufficient for the existing demand. Each city performed differently, but certain trends arose among them.

In **Lima**, vacancy increased by 6.38% compared to H2 2022. This is mainly due to new warehouse space built on speculation in the Lurin, Villa el Salvador, and Huachipa areas.

In **Buenos Aires** industry continues to grow, increasing demand for logistics space, finally reaching a vacancy rate of only 2.8%. Absorption decreased 51% due to the lack of availability in premium logistics centers.

In **Bogota** inventory increased 5.6% during the first half of the year. Most of the new inventory was composed of built-to-suit (BTS) projects. New space is being absorbed, leading to a vacancy rate of 1.66%.

In **Santiago**, net absorption in Class A logistics centers decreased 58% year-over-year. Vacancy rose slightly from 0% to 0.7%. The remaining vacant space does not meet quality standards. For this reason, most new contracts are for projects currently under construction.

In **Sao Paulo** vacancy increased from 8.00% to 9.00% in H1 2023. This is mostly due to new inventory of 219,035 sqm entering the market.

In **Rio de Janeiro**, new space totals 71,788 sqm, an increase of 80 % compared to the same period in 2022. The net absorption figure of 60,075 sqm is also noteworthy. Most of this movement is concentrated in the Duque de Caxias area with 38,378 sqm absorbed.

HIGHLIGHTS

**30,597 sqm**

NET ABSORPTION

In Lima, 5 times higher than H1 2022.

**79 %**

NEW INVENTORY INCREASED YoY

In Rio de Janeiro, compared to the same period in 2022, equivalent to 71,788 sqm.

**0.7 %**

VACANCY

In Santiago, after remaining at 0% for more than a year.

**USD 7.16/sqm**

AVG. ASKING RENT

In Buenos Aires, an increase of 33 % compared to the same period in 2022.

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LOGISTICS REGIONAL MARKET SIZE

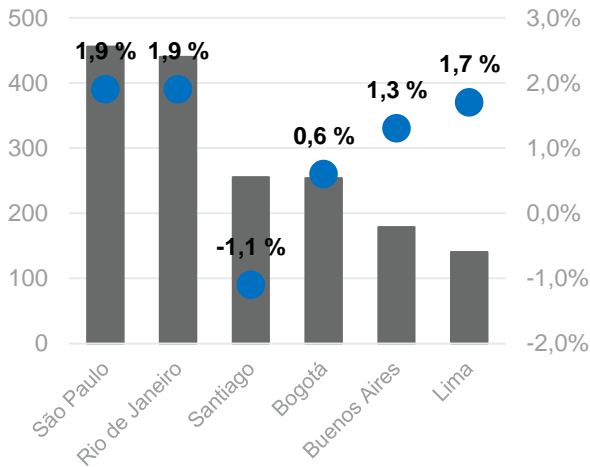
Logistics center inventory grew an average of 3.13% in the whole region since H1 2022. **Santiago** stands out with 4.30%, as does **Sao Paulo** with a positive variation of 3.94%.

Sao Paulo and **Rio de Janeiro** have the highest ratios of logistics center area per thousand inhabitants, with an average of 450 sq m, followed by **Santiago** and **Bogota** with an average of 255 sq m, and finally **Buenos Aires** and **Lima** with an average of 160 sq m.

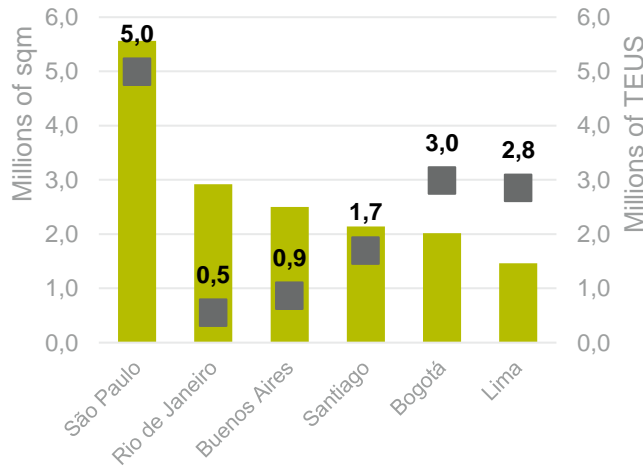
In 2022, a total of 15,530,000 TEUs passed through the analyzed ports, a 10% increase compared to 2021. The Callao port saw the largest increase in movement, going from 2,486,425 to 2,847,044 TEUs, a 14.50% variation. In Buenos Aires Port traffic dropped 40.55%, a consequence of the country's situation and import restrictions.

Finally, the ports with the highest traffic by country are: Santos and Rio de Janeiro in Brazil, San Antonio in Chile, Buenos Aires in Argentina, Cartagena in Colombia, and Callao in Peru.

INVENTORY RATIO – LOGISTIC sqm/1000 INHABITANTS** VS. GDP (USD) H1 2023



LOGISTIC INVENTORY (SQM) H1 2023 VS. THROUGHPUT* 2022 (MILLIONS OF TEUS)



■ Ratio per/1.000 inhabitants ● GDP variation ■ Inventory S1 2023 ■ TEUS 2022 Total

*Throughput: Effective port transfer rate expressed in TEUs. This indicator is measured by dividing the units moved for both imports and exports by the linear meters of docking per terminal. It was considered until December 2022.

**Inhabitants: Population data of the urban center considered refers to where the center of consumption and economic activity is concentrated.

BOGOTA

7.9
MM inhabitants
2.0
MM sq m
4.6
MM TEU

LIMA

10.4
MM inhabitants
1.5
MM sq m
2.8
MM TEU

SANTIAGO

8.4
MM inhabitants
2.1
MM sq m
1.7
MM TEU

BUENOS AIRES

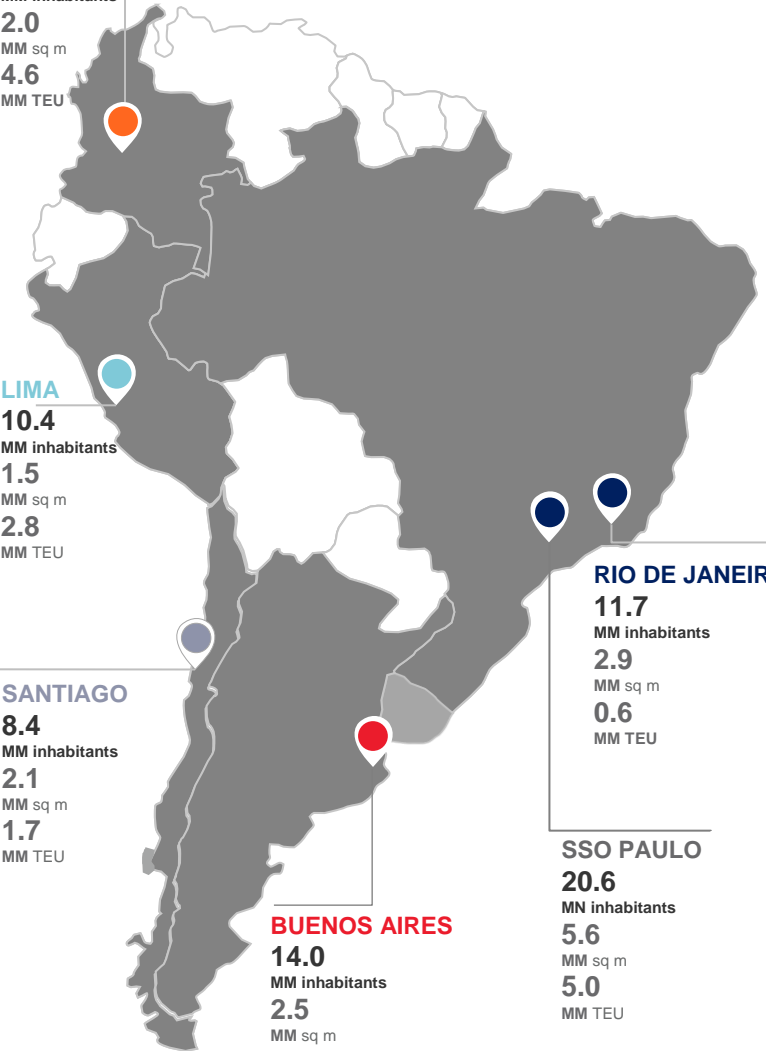
14.0
MM inhabitants
2.5
MM sq m
0.8
MM TEU

RIO DE JANEIRO

11.7
MM inhabitants
2.9
MM sq m
0.6
MM TEU

SSO PAULO

20.6
MM inhabitants
5.6
MM sq m
5.0
MM TEU



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PRICING

South America showed an increase in asking rents, with the average for H1 2023 closing at USD 5.99/sq m, 13% higher than the previous period (US\$ 5.30/m²).

Buenos Aires (USD 7.16/sq m) asking price increased sharply, 25% increase this half, and 33% year-over-year. In premium warehouses (A+), asking prices reach up to USD 8.5 per sqm.

In **Santiago**, asking price closed the semester at USD 7.88 per sq m, 15% higher than the previous semester, and a year-over-year variation of 33.5%.

Sao Paulo also showed price increases, ending the second half of the year at USD 5.91 per sqm per month (+17%).

Average asking price in **Bogota** closed at USD 4.88 per sq m, a 3% increase compared to the same period in 2022.

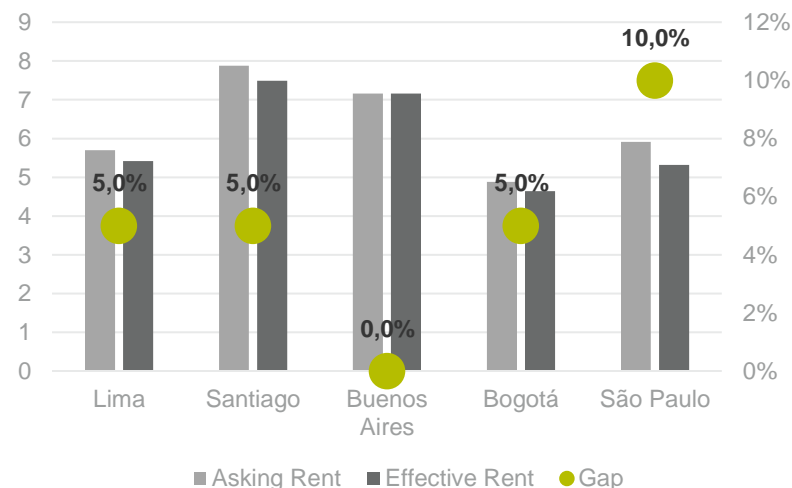
In **Lima**, average asking price closed at USD 5.70/ sq m, an increase of 2.7% compared to the second half of 2022. Asking rents went up despite higher availability, mainly in the Southern Zone.

COST EFFECTIVENESS

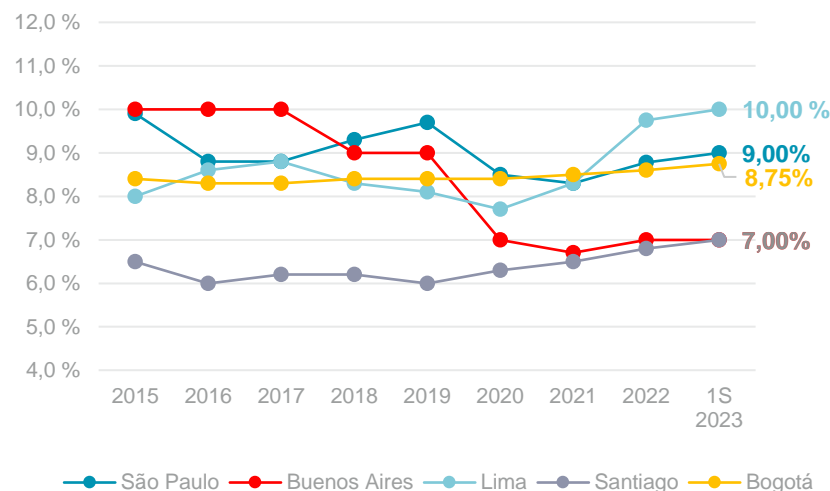
As a result of tighter monetary policies in South America and their impact on real estate financial markets, returns demanded by investors have been increasing. Investors require a premium to mitigate the risk of the current economic context. Nevertheless, there is still a strong appetite for industrial investment. Demand remains high in this sector, and there is still a shortage of quality product in the region's major markets. Still we continue to see a gap in cap rate expectations between buyers and sellers. As lower interest rate cycles begin in the region, this gap will narrow. More investment transactions are expected in logistics, especially in the more institutional asset class (A), and in the more liquid markets of Brazil and Chile.

Argentina is the exception, where the market is considered bimonetary. Transactions are mostly local, with the goal of managing inflationary risks associated with the peso. The situation shows a compression in the cap rate, which reached 4.5%. In the absence of dual exchange rates, the periodic capitalization rate would be around 7%.

ASKING RENT USD/SQM H1 2023



AVERAGE INDUSTRIAL *CAP RATE



* The capitalization rate is calculated by dividing the net operating income (NOI) by the purchase price of the property

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SUPPLY AND DEMAND

The average regional vacancy rate is around 7.87%, and the average asking lease price sits at USD 5.99 per sq m.

In the first half of 2023, total demand for logistics space was about 510,000 sq m, and the average per city was 85,000 sq m. **Sao Paulo**, **Bogota**, and **Santiago** stand out for having the highest net absorption indicators: 167,538, 93,545 and 82,532 sq m, respectively.

In the Brazilian cities analyzed, vacancy increased by an average of 12% compared to the previous half: **Sao Paulo** closed this semester with 9%, and **Rio de Janeiro** closed with approximately 19%.

Availability in **Bogota** reached 33,559 sq m between its five submarkets. The 1.7% vacancy rate is approximately 15% lower than in the previous semester when it was 2.06%.

In **Buenos Aires**, half-yearly net absorption closed at 73,104 sq m. Vacancy rate decreased by 37%, from 4.5% to 2.8% since H2 2022.

In **Lima**, vacancy continues to trend upward, rising from 8.78 % at the end of 2022 to 9.34 % in the first half of 2023, an increase of 6.38 %.

In **Santiago**, cumulative net absorption in H1 registered at 82,532 sqm, a decrease of 72 % from the demand in H2 2022. Vacancy slightly increased to 0.7 %.

PRESENT AND FUTURE

South America is currently experiencing demand levels higher than the average of the past 6-years. Nevertheless, absorption figures are down 50% in most cities since 2022. The exceptions are **Lima** and **Rio de Janeiro**, which are performing well so far in 2023. If each city's performance is compared, and a similar production and absorption scenario were reproduced, it would be possible to anticipate the scenario at the end of 2023:

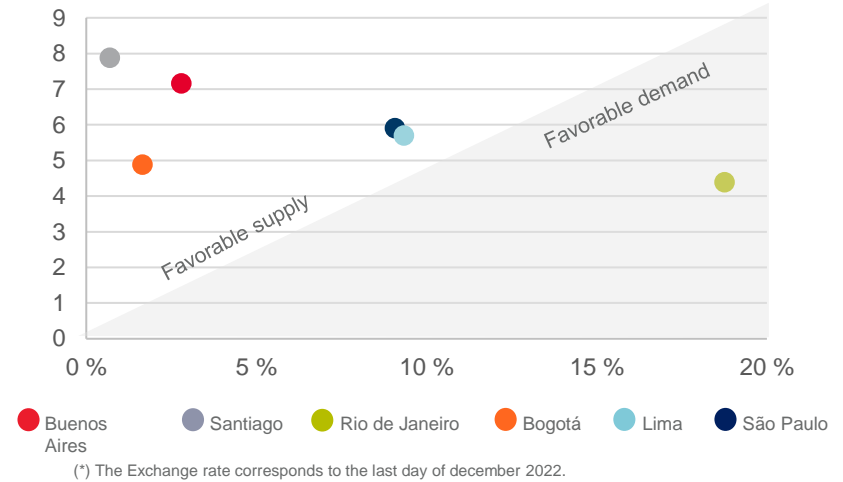
Bogota and **Buenos Aires** had an average vacancy drop of 50% compared to H1 2022. If this trend continues, vacancy will approach 0%, especially if new projects don't meet demand in the short term. This scenario would drive asking rental prices upwards.

Sao Paulo, **Rio de Janeiro**, **Lima**, and **Santiago** are experiencing an increase in vacancy this semester. In these markets, the production of new space exceeds the accumulated net absorption.

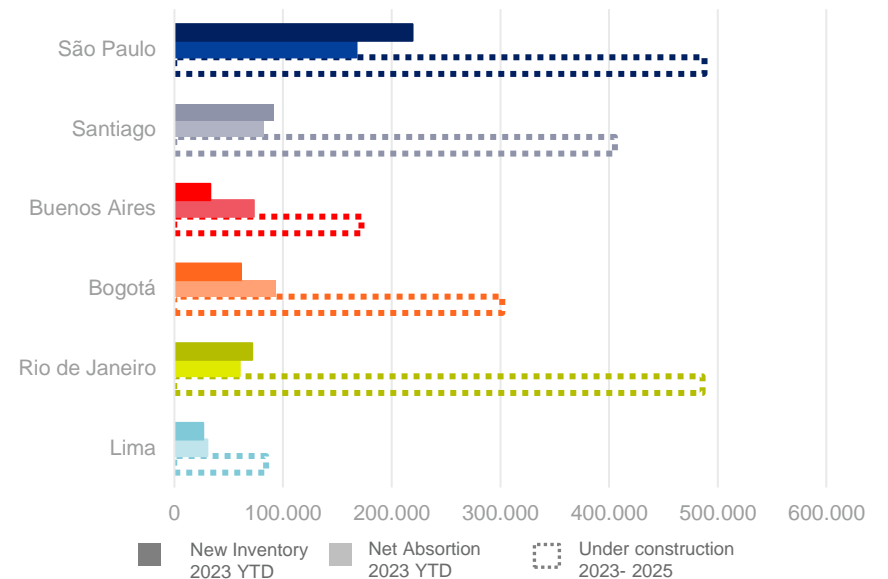
Lima shows high demand so far in 2023, presenting net absorption 5 times higher than that recorded in the first half of 2022. Vacancy is increasing due to higher production of new space.

Santiago begins this year with a decrease in net absorption. This is projected to continue, gradually increasing the vacancy rate in logistics centers in this city.

Asking rent (USD/sqm/Month) vs vacancy (%) (*) – H1 2023



Net Absorption vs. Production vs. Under Construction 2023 YTD



MARKET STATISTICS H1 2023

Submarket	Class A Inventory (sqm)	Available Surface (sqm)	Vacancy Rate	Asking Rent (USD/sqm/Month)	Net Absorption YTD (sqm)	Under Construction (sqm)
Lima	1,460,608	136,400	9.34 %	5.7	30,597	84,410
Santiago	2,138,850	15,000	0.70 %	7.9	82,532	405,480
Bogota	2,017,372	33,559	1.66 %	4.9	93,545	301,637
Buenos Aires	2,499,657	69,940	2.80 %	7.2	73,104	172,226
Sao Paulo	5,563,085	504,347	9.07 %	5.9	167,538	487,847
Rio de Janeiro	2,916,434	547,116	18.76 %	4.4	60,075	486,206
	16,596,006	1,306,362			507,391	1,937,806

USD/COP = 4.517 | USD/UF= 0.023 | USD/BRL= 5.47 | USD/PEN = 3.82

CAROLINA WUNDES

Market Research Coordinator Argentina

+54 911 6192 3010

carolina.wundes@cushwake.com

ROSARIO MENESES

Market Research Leader Chile

+56 999 492 991

rosario.meneses@cushwake.com

LUIS FERNANDO DEAK

Head of Market Research Brazil

+55 119 4125 8858

luis.deak@cushwake.com

JUNIOR RUIZ

Market Research Senior Colombia

+57 310 695 3148

junior.ruiz@cushwake.com

DENISE VARGAS

Market Research Coordinator Peru

+51 9 560 37410

denise.vargas@cushwake.com

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