

# SOUTH AMERICA

Office H1 2022



**GDP Var (%)**   **Unemployment Rate (%)**   **Inflation Index (%)**

Country	GDP Var (%)	Unemployment Rate (%)	Inflation Index (%)
Argentina	10.3	7.0	60.7
Brazil	1.7	11.1	11.9
Chile	-3.6	7.8	11.5
Colombia	9.6	11.6	9.7
Peru	9.9	7.2	8.8

## ECONOMIC OUTLOOK

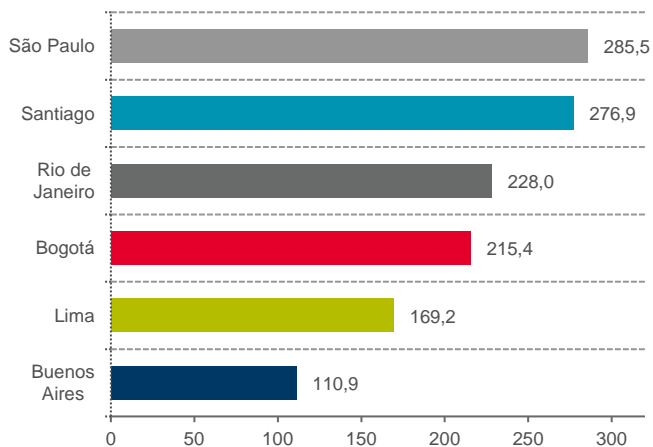
The economic outlook for the first half of 2022 is affected by the global situation, with a slow recovery from the pandemic period and the conflict between Russia and Ukraine, which continues to impact in the inflation rates and the recovery forecasts set for the 2022 throughout the area. However, the unemployment rate throughout the region decreased and the rest of the indicators slowed down their negative trend.

In **Argentina**, since the beginning of the year, 119,000 people became salaried employees registered in the private sector, which is equivalent to a variation of 2 %, and an average of almost 20,000 new private jobs registered per month. In **Brazil**, some indicators of economic activity show a positive scenario, it is expected that the variation in GDP will continue to rise, added to the reactivation of trade, improvements are expected in the country's economic outlook. **Chile's** inflationary impact has generated important consequences for the real estate sector, raising the cost of materials and construction labor. In this context, the Central Bank has put pressure on interest rates, seeking to anchor expectations regarding the intertemporal cost of using financial resources. The **Colombian** economy reaches the month of June with an inflation rate of 9.67 %. This market indicator is expected to rise. Along with this scenario, the interest rate increased, reaching 7.5 %. **Peru** showed a year-on-year GDP variation of 9.9 %, with a growth projection of 3.1 % for the last month of 2022, assuming a more stable scenario in the economic, political, and social aspects.

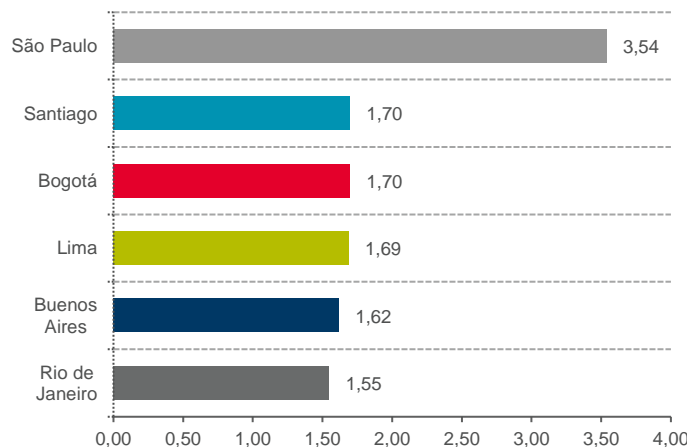
This year and the next, presidential elections in Brazil and Argentina, respectively, could alter the economy of both countries. Although the region's inflation rate is showing a significant year-on-year increase; The drop in the unemployment rate, added to the drop in restrictions generated by the pandemic, predicts, depending on the global situation, a stable economic outlook for most countries.

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

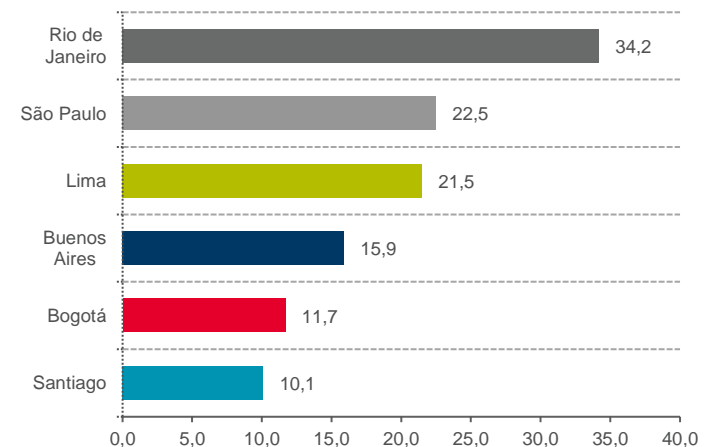
Inventory ratio (sq.m)/1.000 inhabitants – H1 2022



Class A inventory (Mi. sq.m) – H1 2022



Vacancy (%) – H1 2022



**BOGOTÁ****7.9**

Mi. Habitants

**1.7**

Mi. sq.m

**LIMA****10.0**

Mi. Habitants

**1.7**

Mi. sq.m

**SANTIAGO****6.1**

Mi. Habitants

**1.7**

Mi. sq.m

**BUENOS AIRES****14.6**

Mi. Habitants

**1.6**

Mi. sq.m

**SÃO PAULO****12.4**

Mi. Habitants

**3.5**

Mi. sq.m

**RIO DE JANEIRO****6.8**

Mi. Habitants

**1.5**

Mi. sq.m

**MARKET SIZE**

The ratio of office space per 1,000 inhabitants allows us to make an objective comparison of the size of the office market in cities.

**São Paulo** continues to lead the ranking (285.5), followed by **Rio de Janeiro** (228) and **Bogotá** (215.4).

This analysis shows that, although there are slight variations in the size of the market, the entire South American region continues with the same trend, mainly due to the current uncertainties about the business environment and the post-pandemic scenario.

**MARKET OVERVIEW**

The vacancy rate in the region tends to stabilize gradually, but still shows moderate increases, after a period with a very marked upward behavior, this slowdown shows signs of a future market recovery. For the second half of 2022, the market dynamics is expected to continue, but there are no signs of a significant reduction in vacancy levels yet, as companies are still speculating on office working conditions.

**Buenos Aires** closed the first half of 2022 reaching a vacancy of 15.9 % in the office market, which represents a year-on-year increase of 20 %.

**Rio de Janeiro** closed the first semester with the lowest vacancy rate of the entire year, at 34.3 %, which shows that the city is recovering and registering more movement of office occupation by the main companies.

Companies in **São Paulo** began to reuse office spaces, with the market showing a marked recovery, only in the last six months a net absorption of 118,042 sqm was recorded. In addition to this indicator, the vacancy reinforces the market recovery, reaching the lowest levels since the end of 2020, closing the first semester at 22.46 %.

Several sectors of **Bogotá** decided to also implement the hybrid work model permanently, freeing areas. Despite this, other sectors reaffirmed the need for physical spaces, which balanced the vacancy rate.

As for **Santiago**, the first half of 2022 ends with a vacancy of 10.07 %, an increase of 25.09 % compared to the same period in 2021. The increase is mainly due to released spaces that belonged to companies which merged their operations to one single location, with preference for discounted lease prices, taking advantage on accessibility and strategic urban environments.

The progressive return to workspaces in **Lima**, in the first six months of the year, has resulted in a decrease in the available office space, closing with a vacancy rate of 21.5 %, which shows a figure 15.6 % more compared to the same period of 2021, revealing a market that is still trying to recover.

## SUPPLY AND DEMAND

Despite the uncertain economic environment, there are different scenarios in the region regarding the occupation of Class A Offices; Some of the cities show a resilient behavior with strong signs of recovery, while others continue to be affected by the consequences of the pandemic and the global situation.

**Buenos Aires** shows a net absorption of -7,189 sqm during the last semester, although still negative, signs of recovery can be seen when compared to the same period last year. The requested rental value started to decrease, but not enough to affect the long-term vacancy.

The Class A CBD market in **Rio de Janeiro** showed that it is on a clear path to recovery, closing the semester with a net absorption of 21,261 sqm. The **São Paulo** class A CBD office market presented a semestral net absorption that exceeded all expectations, in just one year, from a negative net absorption during 2021, the city closed the first half of 2022 with 118,042 sqm.

In **Santiago**, the demanded area sums up to 18,380 sqm, a figure that has been gradually increasing since the first half of last year, where the leased area was only equivalent to 6,545 sqm, which shows a market on the way to recovery.

**Bogotá's** vacancy rate is already reaching pre-pandemic levels, closing the semester at 11.7 %. The main interest lies in premium Class A spaces, mainly due to the high technical specifications, the amenities that they provide to the users of the building and their strategic location, proximity to public transport, access roads and the convenience of the environment.

At the end of the first half of the year, in **Lima**, the net absorption was 19,651 sqm. On the other hand, it is important to mention that there is still a significant inventory to be delivered between 2023 and 2024, which could affect future vacancy levels, considering that it is likely that these projects will not have high occupancy levels at the time of delivery.

## PRICING

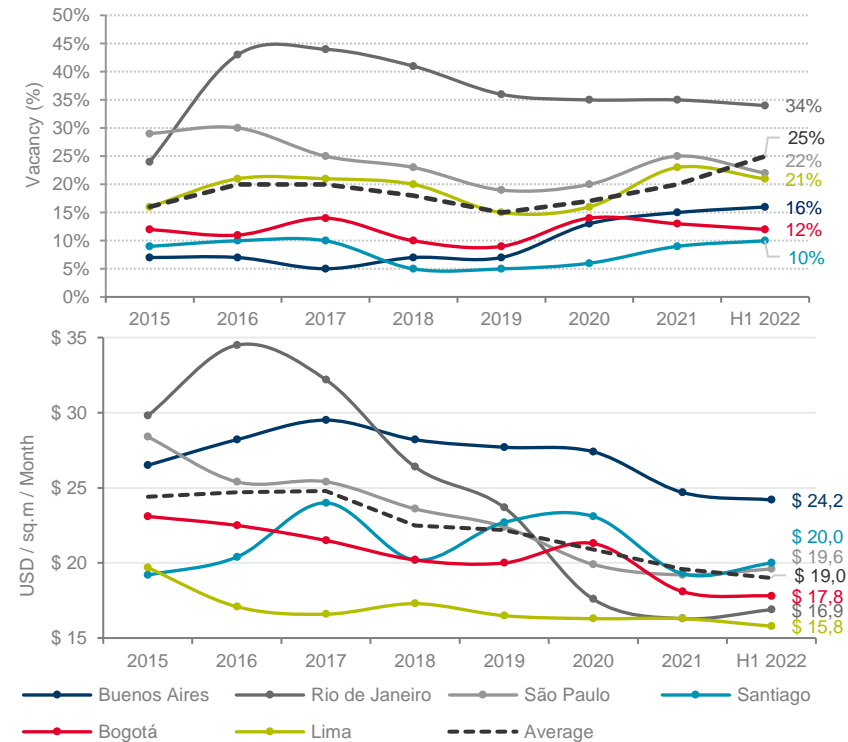
Regarding the rental asking price, some markets are in an advanced stage of recovery while others are still in the process of returning slowly to the pre-pandemic situation.

The average rental price of class A offices in **Buenos Aires** was USD 24.2/sqm, with a variation of -7 %, equivalent to the one registered in the same period last year. **Rio de Janeiro** experienced a drop in its average rental price. The rental price in **São Paulo** closed the period at USD 19.6/sqm, showing price stabilization compared to the same period last year, because of a positive net absorption of more than 100,000 sqm.

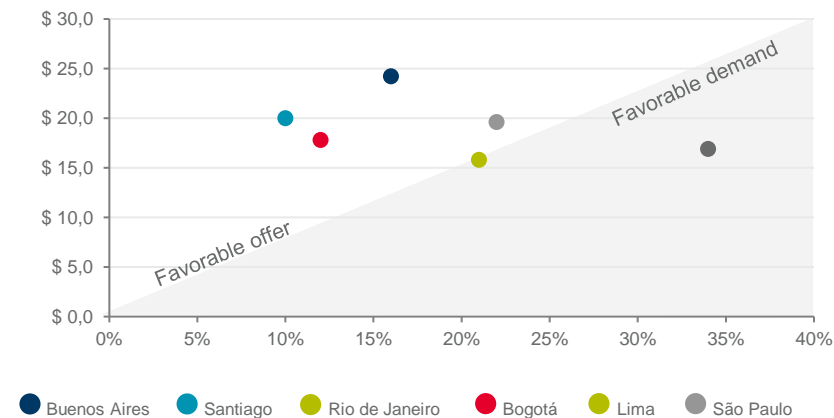
**Santiago** remains stable regarding the asking prices, closing at USD 20/sqm, considering that in general, contracts are closed 10% to 15% below the asking price.

The average rental asking price in **Bogotá** remained almost stable at USD 17.8 /sqm, like **Lima**, which closed the first semester at USD 15.8/sqm. In general, with insignificant variations.

Vacancy Rate (%) and Asking Rent evolution (USD/sq.m/month) (\*)



Asking rent (USD/sq.m/month) vs Vacancy (%) (\*) – H1 2022



(\*) The exchange rate corresponds to the last day of June.

## PAST, PRESENT AND FUTURE

Given global events and other factors, although a panorama of uncertainty is still perceived for the next entries to the office market, certain signs of recovery are seen.

In **Buenos Aires**, for almost a year, the office area under construction remains at 243,718 sqm, the developments continue to postpone their deadlines. On the other hand, no new projects entered the market, with a scheduled area of 729,095 sqm until 2026.

**Rio de Janeiro** has not registered new deliveries since 2018 and continues without new projects, which will help the vacancy rate decrease as offices are leased.

After delivering 208,000 sqm in 2021, **São Paulo's** Class A CBD market received no new deliveries. However, approximately 79,000 sqm are expected to be delivered by the end of the year.

**Santiago** is one of the countries that presents less uncertainties, it is predicted that 102,554 sqm will enter the market this year, of which 23 % could enter in the coming months, while 174,384 sqm are currently earmarked as future projects.

By the end of the first half of the year, in **Bogotá**, 122,520 sqm of under construction area are registered and at the end of the year, 53,520 sqm of class A office projects are expected, no new projects have entered the market, and the scheduled area until 2026 is of 729,095 m<sup>2</sup>

**Lima** has an area under construction of 50,796 sqm. On the other hand, the projects that have not yet begun construction or are in the evaluation stage add up to 76,523 sqm. Several buildings' construction start date has not yet been confirmed and therefore their delivery date is uncertain.

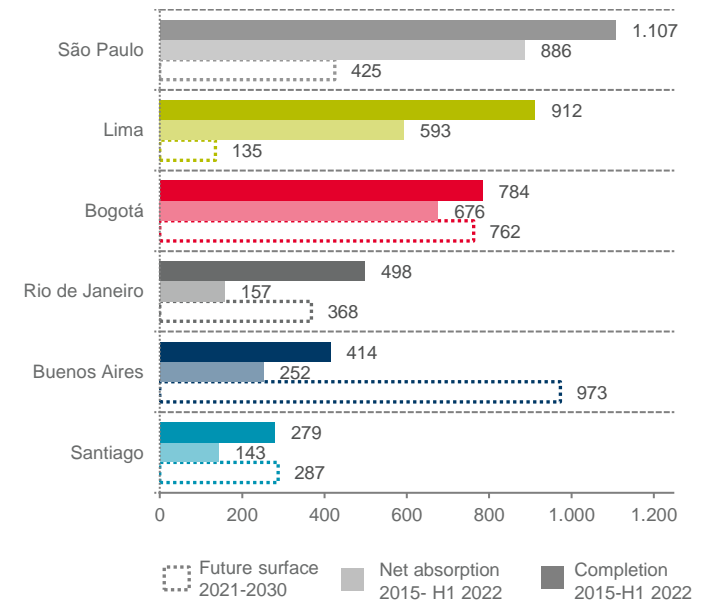
## MARKET INDICATORS H1 2022

Submarket	Class A Inventory (SQ.M)	Available Surface (SQ.M)	Vacancy Rate	Asking Rent(*) (USD/SQ.M/Month)	Net Absorption YTD (SQ.M)	Under Construction and In Project (SQ.M) 2021 - 2030
Buenos Aires	1,617,303	257,906	15.9%	24.2	-7,189	972,813
Rio de Janeiro (**)	1,545,016	529,212	34.3%	16.9	21,261	367,807
São Paulo (**)	3,539,520	794,836	22.5%	19.6	118,042	424,813
Santiago	1,692,951	170,562	10.1%	20.0	2,645	287,425
Bogotá	1,695,327	198,415	11.7%	17.8	35,020	762,200
Lima	1,692,971	364,620	21.5%	15.8	19,651	134,672
<b>Class A Total</b>	<b>11,783,088</b>	<b>1,987,393</b>	<b>19.3%</b>	<b>19.1</b>	<b>188,537</b>	<b>3,762,143</b>

(\*) The exchange rate is taken from the last day of June 2021.

(\*\*) The information includes only CBD market Class AA+.

Net Absorption vs. Completion: 2015 – H1 2022  
New Inventory: 2022 H1-2030 (,000 sq.m.)



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