

SOUTH AMERICA

Industrial H2 2022

	GDP Var (%)	Unemployment Rate (%)	Inflation Index (%)
Argentina	5.9	7.1	92.4
Brazil	0.4	8,7	5.9
Chile	-3.9	8.0	13.3
Colombia	4.5	10.4	13.1
Perú	2.8	7.6	8.5

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

ECONOMIC OUTLOOK

Economic outlook closes 2022 with a notable inflation increase in all countries, outside the target range of 1 to 3%, which is forecast to normalize during 2023, in some cases.

Economic slowdown, with a decline in commercial activity in Chile, Peru and Colombia; and a decline in some indicators of manufacturing activity.

As for employment, it rose to near pre-pandemic levels by the end of 2021, after a 20% drop. But the share of formal employment has fallen by almost 5 percentage points.

Colombia is the leading economy in Latin America in terms of growth, with a 7.6% expansion in 2022 and a projected 2.2% in 2023.

LOGISTIC REGIONAL MARKET OVERVIEW

Industrial real estate market is showing peak demand in Latin America, with the lowest vacancy rates in recorded history. Three cities beat records in terms of low vacancy levels: Buenos Aires at 4.5%, Bogota at 2%, and Santiago with zero availability for the last 6 semesters.

Due to limited supply and higher risk caused by inflation in construction material prices, in order to avoid an increase in vacancy or to initiate the construction of spaces that will not necessarily become occupied over the short-term, "Built to suit" developments have been progressively being implemented in Latin America, and less speculative projects have been developed.

The Sao Paulo market shows a different behavior regarding vacant industrial spaces, where despite the high demand for space recorded since 2021, it has been able to keep its vacancy rate at a healthy 10% as a result of a steady production of new sqm (250 thousand sqm on average per semester). There is also a different trend in terms of development type, since there are a considerable number of speculative projects. In São Paulo class A, for instance, about 43% come to the market with some pre-leased area.

In Buenos Aires, the half-yearly net absorption closed with a positive value of 102,353 sq m. A large part of the occupied area has been the result of the expansion of companies in product storage spaces and to generate a safeguard of value, although several projects were reactivated because of the decrease in vacancy, they will be delivered by the end of this year, so the country will be facing a even higher decrease in vacancy, which may lead to no space available.

In Santiago's market, it is noteworthy that almost 300 thousand sqm will be delivered during 2022, which on average is double the production of the last 5 years.

In Bogota, vacancy is projected to increase gradually, due to the relocation of some companies to BTS (Built to suit) warehouses. Even so, the space that becomes available as a result of these changes will continue to be absorbed thanks to the growing demand for warehousing projected to date.

In Lima, compared to last semester, asking rent price for Class A logistics centers decreased by 18.4%.

HIGHLIGHTS



272.487 sqm.
NET ABSORTION

Is recorded in Buenos Aires on year 2022, pushing vacancy to 4.5%.



42%
GROWTH OF APPROVED AREAS FOR WAREHOUSE CONSTRUCTION during the period from October 2019 to October 2022, in Bogota.



5 p.p.
INCREASES VACANCY
In Lima, reaching 8.64%



USD 6,84 / Sqm
AVERAGE ASKING RENT
This figure is 40% higher than the previous year in Santiago.

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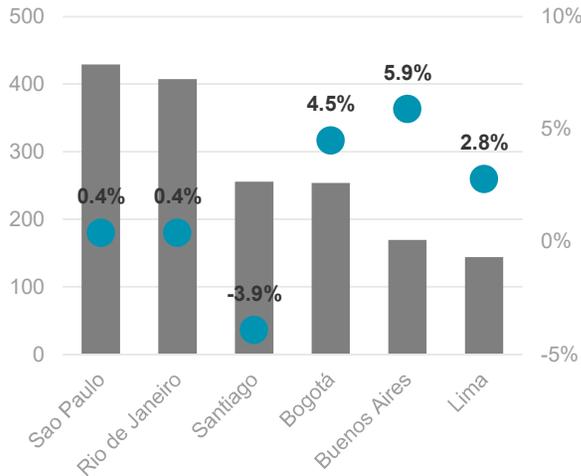
LOGISTIC REGIONAL MARKET SIZE

Regarding Logistics Center inventory growth between the first and second half of 2022, there is an average increase of 3.69% across Latin America, with Lima standing out, with 7.76%, and Santiago, with 5.18%. Sao Paulo and Rio de Janeiro rank as the cities with highest ratios of logistics center area per thousand inhabitants, with an average of 420 sqm. They are followed by Santiago and Bogota with an average of 254 sqm and, finally, Buenos Aires and Lima, with an average of 157 sqm.

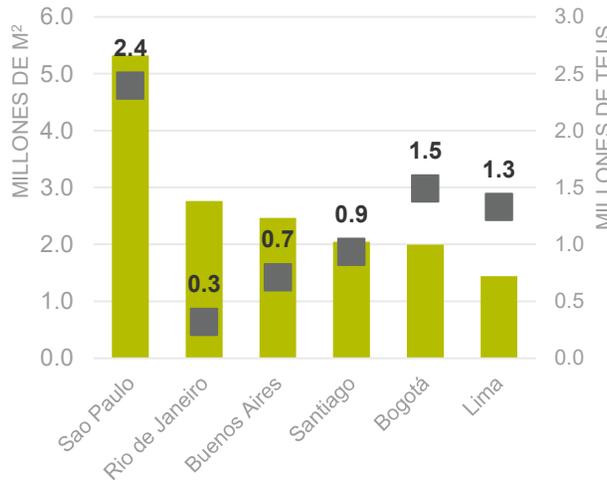
Comparing throughput rates of the several ports in Latin America, Cartagena de Indias and Santos emerge as the most relevant ports, accounting for 50% of the total cargo moved in the first half of 2022. Due to its strategic location, Cartagena de Indias has established itself as an important logistics and international transshipment port specialized in container trade.

Finally, an analysis of the ports with the greatest movement by country showed the following: Ports of 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) H2 2022



Logistic Inventory (sqm) H2 2022 vs. Throughput* 2021 (millions of TEUS)



BOGOTÁ

7.9
Mi. inhabitants
2.0
Mi. sqm
1.8
Mi. TEU

LIMA

10.0
Mi. inhabitants
1.4
Mi. sqm
1.3
Mi. TEU

SANTIAGO

8.0
Mi. inhabitants
2.0
Mi. m²
0.9
Mi. TEU

BUENOS AIRES

14.6
Mi. inhabitants
2.5
Mi. sqm
0.7
Mi. TEU

RIO DE JANEIRO

6.8
Mi. inhabitants
2.3
Mi. sqm
0.3
Mi. TEU

SÃO PAULO

21.5
Mi. inhabitants
5.3
Mi. sqm
2.4
Mi. TEU

*Throughput: Effective port transfer rate expressed in units of TEUS. This indicator is measured by dividing the units moved for both import and export by the linear meters of berthing per terminal.

**Inhabitants: The number of inhabitants of the urban center of the analyzed city was considered.

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PRICING

At the end of this semester, average asking rent in Southamerica's cities was 5.44 USD/sqm, 8% higher than that recorded in 2021 (5.02 USD/sqm). Both Sao Paulo and Santiago showed the most significant half-yearly increases in this indicator, with 12% and 16%, respectively.

In Bogota, warehouse market average asking rental prices closed the second half of the year at USD 4.02 per sq m, representing a decrease of 3% compared to the same period of the previous year. Lease values in local currency had increased by 11%, but due to macroeconomic factors, the currency depreciated, showing an inverse behavior in dollars.

Asking rental prices showed a significant positive half-yearly variation in Sao Paulo, ending the second half of the year at US\$5.47 per sqm per month (+12%).

In Buenos Aires, average rental value reached USD 5.7/sqm, up 5.8% in the half-year comparison. In premium warehouses (A+), rental values can reach up to USD 8.5 per sqm. In Lima, asking rental prices closed at USD 5.55/sqm. Compared to the previous semester, this indicator decreased by 13% as a result of price adjustments by developers, considering demand, the type of client they are targeting and the current situation.

Finally, in Santiago, prices closed the semester at USD 6.84 per sqm, 16% higher than in the previous semester. This information corresponds to warehouse space under construction due to low and almost non-existent availability.

COST EFFECTIVENESS

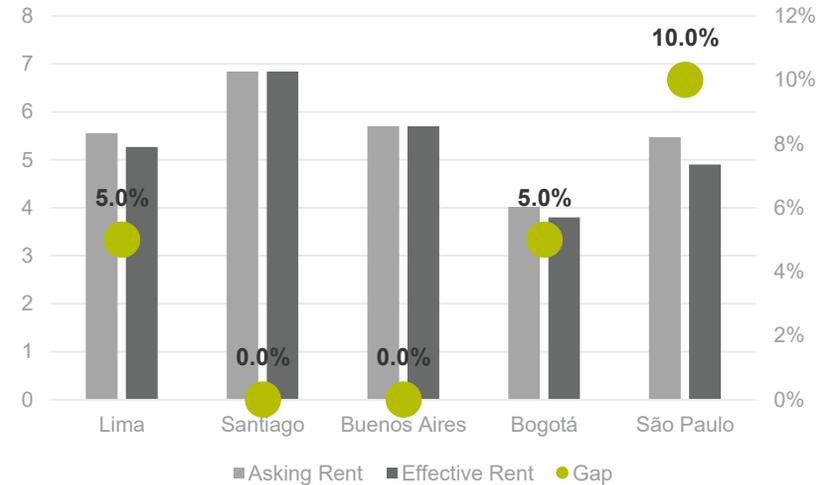
Regional Cap Rates continue this semester with a general upward trend, mainly caused by the cost of money, financing rate primes have increased due to a temporary adjustment of global monetary policy.

Industrial rental market is generally healthy, in Sao Paulo, Rio de Janeiro, Bogota and Santiago, low vacancies are observed due to the high demand for logistic spaces, but this is not enough to generate a decrease in Cap Rates.

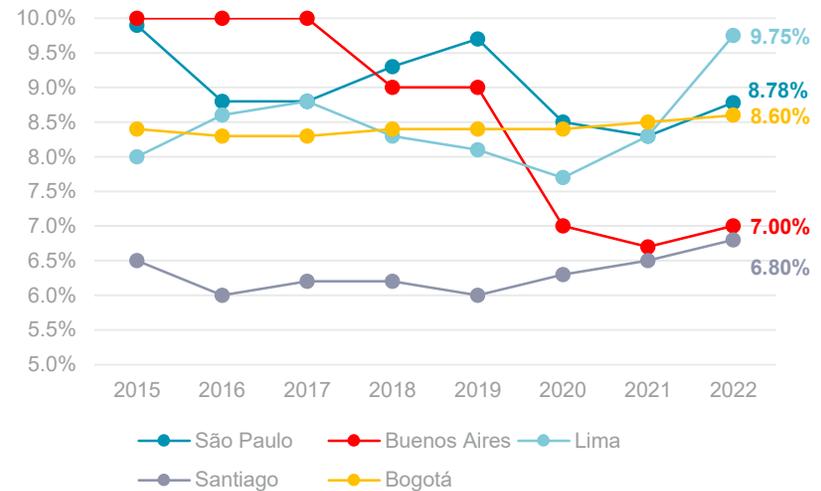
In particular, Lima is the case that shows the greatest increase in this figure, as the risk increases due to the political and social context.

The exceptional case is Argentina, where real estate market is considered for being bi-currency, but given that transactions are mostly local with the purpose of safeguarding pesos, situation shows a decrease in Cap Rate, reaching 4.5%. In absence of the unfolded exchange rate, the periodic capitalization rate would be around 7%.

ASKING RENT USD/SQM H2 2022



AVERAGE INDUSTRIAL *CAPRATE



* 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 vacancy rate in the region is approximately 6.69% and the average asking lease price is USD 5.44 per sqm.

In 2022, the total demand for logistics space was 1,134,974 sqm, and the average per city was 190,000 sqm. Sao Paulo, Santiago and Buenos Aires stand out for having the highest net absorption indicators of 429,381, 291,483 and 272,487 sqm, respectively.

In Brazilian cities analyzed, vacancy increased by an average of 12% compared to previous semester, with Sao Paulo closing the year with 8.0% and Rio de Janeiro with approximately 17.0%. Availability in Bogota reached 39,404 sq m between its 5 corridors, approximately 60% lower than the previous half-year, representing vacancy levels of 1.98%.

In Buenos Aires, half-year net absorption closed with a positive value of 102,353 m². The vacancy rate decreased from 9.4% to 5.7% between semesters.

In Lima, vacancy has been on an upward trend, mainly due to market dynamism, where space is constantly being expanded in consolidated centers, and went from 3.66% at the end of the first half of the year to 8.64% at the end of 2022.

Cumulative net absorption closes 2022 at 291,483 sqm in Santiago, double compared to the same period of the previous year, vacancy remains close to zero.

PRESENT AND FUTURE

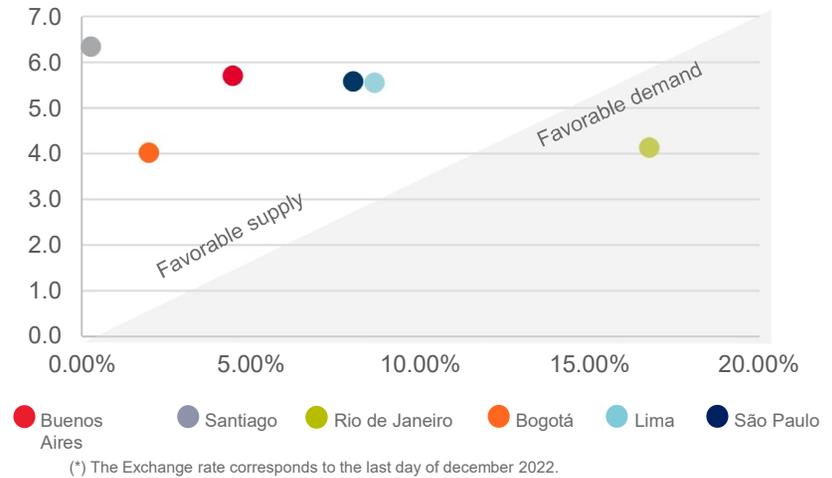
In each country, there is a strong demand for industrial space; however, given the different economic and political scenarios, it is possible to observe an uneven speed of development, which has a different impact on vacancy and asking rent.

Firstly, in cities such as Sao Paulo, Santiago and Bogota, there is a similar behavior in terms of surface area production and absorption levels, showing a balance between supply and demand. There are cities such as Rio de Janeiro and Lima, where production exceeds absorption by an average of 80%, which increases vacancy indicators.

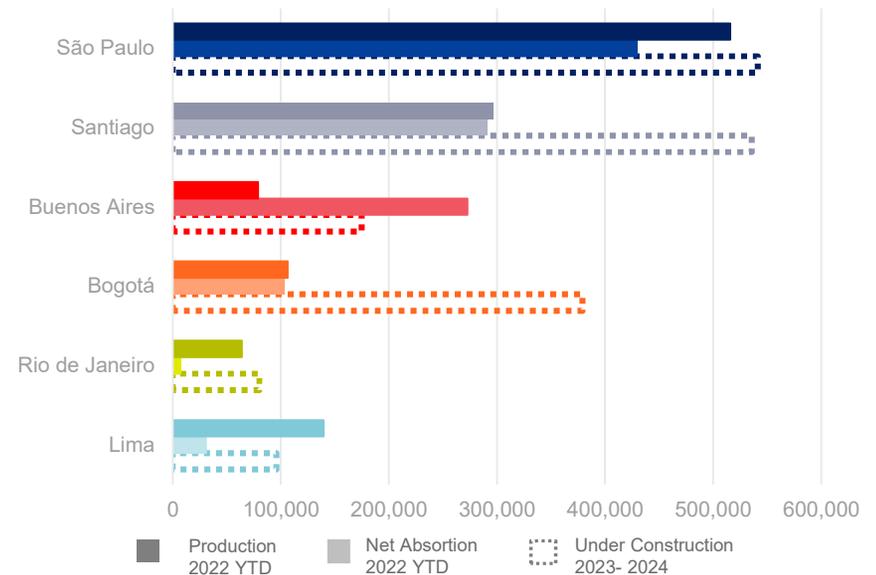
In Buenos Aires, demand exceeds production of new logistics centers and this generates the opposite effect, a significant decrease in vacancy, with a consequent increase in rental prices.

Regarding area under construction, the following cities remain very active in development: Bogota and Santiago, with an area under construction of 535,706 and 379,046 sqm respectively, exceeding at least twice the demand for the year 2022.

Asking rent (USD/sqm/Month) vs vacancy (%) (*) – H2 2022



Net Absorption vs. Production vs. Under Construction 2022 YTD



MARKET STATISTICS H2 2022

Submarket	Class A Inventory (sqm)	Available Surface (sqm)	Vacancy Rate	Asking Rent (USD/sqm/Month)	Net Absorption YTD (sqm)	Under Construction (sqm)
Sao Paulo	5,317,437	425,927	8.01%	5.39	429,381	541,177
Santiago	2,046,890	5,527	0.27%	6.84	291,483	535,706
Bogotá	1,994,978	39,404	1.98%	4.02	103,963	379,046
Buenos Aires	2,466,657	110,044	4.46%	5.70	272,487	174,726
Rio de Janeiro	2,759,646	463,571	16.80%	3.99	5,884	80,100
Lima	1,439,992	124,484	8.64%	5.55	30,533	95,923
	16,025,600	1,168,957			1,134,974	1,806,678

USD/COP = 4,517 | USD/UF=0.023 | USD/BRL=5.47 | USD/PEN=3.82

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