



LATIN AMERICA'S OFFICE MARKET KEEPS GROWING

With a population of more than 600 million inhabitants, equivalent to 9% of the world's population, Latin America has seen its office inventory grow considerably over the last decade to more than 250.6 million square feet of Class A+ and Class A space.

Buenos Aires, Argentina

The office market in Buenos Aires did not record significant growth in 2015, which resulted in the low vacancy rate of 5.4% at midyear 2016. Nevertheless, Buenos Aires' inventory is expected to grow by approximately 1.5 million square feet of Class A space by the end of 2016. Several of the new spaces will meet sustainability standards, in line with the global trend of building environmentally friendly office space. Currently, the office inventory in the Buenos Aires metropolitan area consists of 11.8 million square feet of Class A+ and Class A space, with an average asking rate of \$28.16/SF. Year-to-date, net absorption in this market has totaled nearly 270,000 square feet.

Rio de Janeiro, Brazil

Recession in Brazil is expected to continue throughout 2016 and 2017, leading to continuous contraction in domestic demand. The economic downturn has impacted Rio de Janeiro's office market, which has seen absorption drop to negative 425,691 square feet in the first half of 2016, as vacancy stands at 25.6%. The new space under construction will add approximately 3.4 million square feet to the current inventory of 20.4 million square feet with a \$35.90/SF average asking rate.

Sao Paulo, Brazil

Sao Paulo's office market is currently struggling, as Brazil's recession takes a toll on the country's main corporate hub. Although Brazil has traditionally commanded high asking rates compared with other Latin American nations, the country's economic downturn has led to a decline in rates to their current average of \$33.38/SF. However, average asking rates in the Sao Paulo region remain among the country's highest, second only to Rio de Janeiro's. Additionally, construction activity in Sao Paulo is currently strong with 6.9 million square feet of new Class A space under construction, to be added to the current inventory of 40.9 million square feet. Unfortunately, Sao Paulo's vacancy rate is roughly 23.8%, and the city has seen absorption levels of negative 749,178 square feet in the first half of 2016.

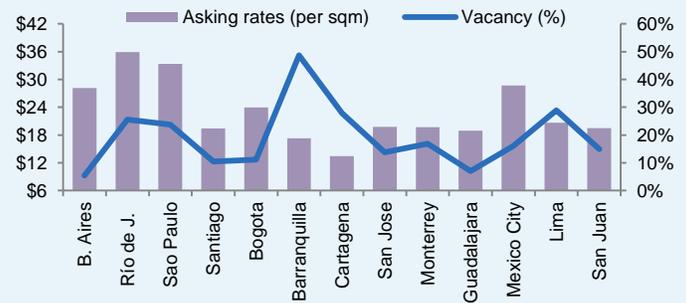
Santiago, Chile

One of the region's most politically stable countries, Chile has had the highest nominal GDP in Latin America since 2006. Its office market has grown into more than 37.1 million square feet of Class A space with a \$19.39/SF average asking rate and a 10.5% vacancy rate. The intense construction activity, currently recorded at 4.6 million square feet, has led to year-to-date absorption of negative 35,284 square feet.

Current Conditions

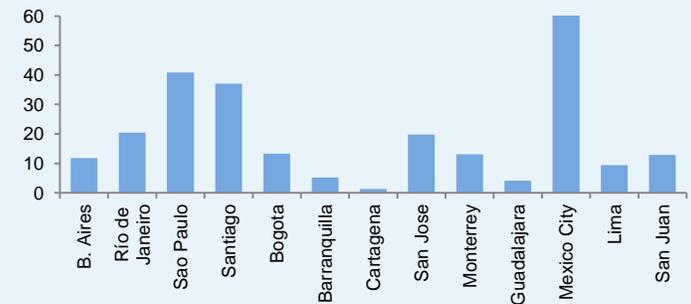
- 9% of the World's population
- GDP: \$5.7 billion
- 250.6 million square feet of Class A+ and A office space
- Leads the world in food production
- Inventory is expected to increase considerably over the next few years
- Average asking rate of \$22.99/SF

Asking Rent vs. Vacancy



Inventory

Square feet (millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	250.6 M	-	-	↑
Vacancy Rate	17.3 %	-	-	↔
Quarterly Net Absorption	2.8 M	-	-	↔
Average Asking Rent	\$22.99	-	-	↔
Under Construction	43.4 M	-	-	↑
Deliveries	-	-	-	↑



Latin America 2Q16 Office

Bogota, Colombia

Amid the global economic downturn, Colombia has outperformed other Latin American countries. The office market in Bogota posted 13.3 million square feet of inventory at average asking rates of \$23.97/SF. The vacancy rate stands at 11.20%, while year-to-date absorption stands at 2.5 million square feet.

Barranquilla, Colombia

The inventory of Barranquilla consists of 5.2 million square feet at asking rates of \$17.29/SF with a 48.7% vacancy rate, the highest on the continent. Year-to-date absorption stands at 62,969 square feet.

Cartagena, Colombia

Cartagena recorded the second-highest vacancy rate on the continent at 27.8%. Its current inventory consists of 5.2 million square feet at average asking rates of \$17.29/SF. Year-to-date absorption stands at a market low of 14,316 square feet.

San José, Costa Rica

Demand for Class A office space in San José has been strong over the last couple of quarters, resulting in year-to-date absorption of 973,373 square feet, one of the top three absorption levels on the continent. San Jose has a growing inventory of nearly 19.8 million square feet, of which 13.8% remains available at asking rates of \$19.74/SF.

Monterrey, Mexico

Although Monterrey is known mainly as the largest industrial hub on the continent, its office inventory is still developing, with 1.9 million square feet under construction at average asking rates of \$19.73/SF.

Guadalajara, Mexico

The Class A+ and Class A office inventory in Guadalajara is expected to increase by nearly 3.5 million square feet over the next year. Currently, it stands at nearly 4.1 million square feet with asking rates of \$18.95/SF. In addition, the city has seen solid absorption in 2016 with 653,756 square feet and a vacancy rate of just above 7%.

Mexico City, Mexico

Mexico City features the largest office market in Latin America with nearly 61.0 million square feet at asking rates of \$28.72/SF. The city has seen strong construction activity over the last few years, and new projects are expected to add more than 14.8 million square feet to the inventory over the next three years. This has driven vacancy rates up to 16.1%, as year-to-date absorption has declined compared with previous years to 1.6 million square feet.

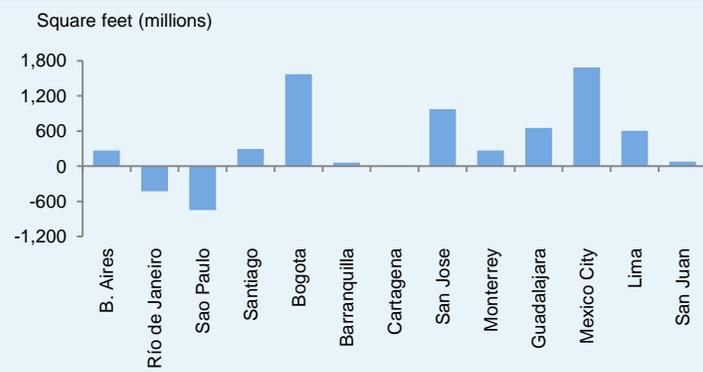
Lima, Peru

Although Peru's economy remained solid in the first quarter of 2016, its growth slowed in the second quarter. Additionally, although the country's office market has experienced year-to-date absorption in excess of 600,000 square feet, the vacancy rate remains high at 28.9%. The inventory stands at 9.4 million square feet with asking rates of \$20.67/SF.

San Juan, Puerto Rico

Puerto Rico has been one of the most dynamic economies in the Caribbean in recent years. Its current office inventory stands at 12.9 million square feet with asking rates of \$19.51/SF.

Year-to-Date Net Absorption



Market Summary

City	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Rate/SF)
Buenos Aires	11,854,262	3,280,083	27.67%	102,257	267,526	\$28.16
Rio de Janeiro	20,458,945	3,444,448	16.84%	-70,913	-425,691	\$35.90
Sao Paulo	40,960,525	6,948,011	16.96%	-545,321	-749,178	\$33.38
Santiago	37,167,940	4,618,144	12.43%	-35,284	296,901	\$19.39
Bogota	13,308,884	1,054,862	7.93%	1,448,498	1,569,161	\$23.97
Barranquilla	5,242,019	61,354	1.17%	37,351	62,969	\$17.29
Cartagena	1,342,258	24,757	1.84%	N/A	14,316	\$13.44
San Jose	19,789,419	N/A	N/A	486,690	973,379	\$19.74
Monterrey	13,069,118	1,928,062	14.75%	69,298	267,418	\$19.73
Guadalajara	4,064,180	3,498,268	86.08%	252,069	653,756	\$18.95
Mexico City	60,984,834	14,864,365	24.37%	620,646	1,684,260	\$28.72
Lima	9,438,315	3,674,333	38.93%	378,287	605,297	\$20.67
San Juan	12,916,680	0	0.00%	60,000	77,769	\$19.51
Latin America	250,597,381	43,396,686	17.3%	2,803,578	5,297,884	\$22.99



ECONOMIC CONDITIONS

Latin America’s economic downturn, which began in the second half of 2015, has continued into 2016. Although the sustained recovery in commodities prices has allowed Latin American currencies to stabilize, exchange rate volatility has increased, over the past year and a half. Moreover, the regional GDP growth projection was cut by 0.1 percentage points in the LatinFocus Consensus.

Analyses by the International Monetary Fund have not only marked down economic growth in the region, but anticipate Latin America’s economy will contract by 0.5%, making 2015 and 2016 the first two consecutive years of negative performance since 1982. “This rate, however, masks the fact that many countries continue to grow,”* whereas a small number of countries face recession—some as a result of domestic factors.

The region remains vulnerable to the economic slowdown in China—the destination of 15 to 25% of exports from Brazil, Chile, Peru, Uruguay and Venezuela—and to a decline in commodities prices. Additionally, growth in Latin America is expected to remain below historical trends in the near future due to factors such as lack of infrastructure networks, shortcomings in quality education and low export diversity.

The IMF expects the region to recover slightly in 2017. However, the recession in Brazil, where growth is contracting by 3.8%, is expected to continue, while Chile will face a slowdown of its economic growth to 1.5%. In contrast, the growth outlook for Mexico and Central America remains robust, as a result of the continued recovery in the United States. Mexico’s economy is expected to grow by a moderate 2.4%, although low oil prices and rising inflation may hinder development in the country.

On a positive note, according to Angel Melguizo, head of OECD for Latin America, the region can look forward to more flexible financial conditions, greater access to foreign capital and an end to the decline in prices for natural resources. This will allow for greater flexibility in monetary policy and growth recovery.

Sources: FocusEconomics, El Economista and the International Monetary Fund



Buenos Aires CBD

Population and GDP

Country	City	Country population	City population	GDP per capita
Argentina	Buenos Aires	43,835,942	15,000,000	17.6
Brazil	Rio de Janeiro	209,643,134	6,320,000	11.7
Brazil	Sao Paulo	209,643,134	11,320,000	11.7
Chile	Santiago	18,126,540	6,600,000	20.5
Colombia	Bogota	48,747,632	9,400,000	3.0
Costa Rica	San Jose	4,859,169	13,730,000	11.2
Mexico	Monterrey	128,658,621	4,900,000	19.9
Mexico	Guadalajara	128,658,621	4,434,878	15.1
Mexico	Mexico City	128,658,621	20,116,842	16.1
Peru	Lima	31,760,131	9,600,000	9.7
Puerto Rico	San Juan	3,620,897	493,250	28.5
Dominican Republic	Santo Domingo	10,596,532	2,908,607	5.8
Total		966,808,974	104,823,577	14.2

Sources:

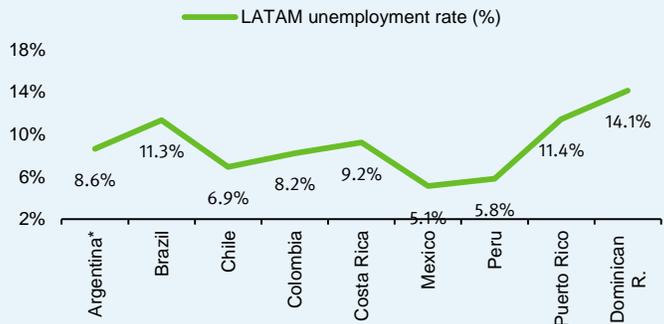
Argentina: Clarin; --Brazil: Investing.com, GE; Chile: Chilean Statistics Institute; Colombia: DANE; Costa Rica: La República; Mexico: INEGI; Peru: INEI; Puerto Rico: Bureau of Labor and Statistics; Dominican Republic: Trading Economics

Exchange Rate vs. U.S. Dollar

Country	Exchange rate (June 2016 average)
Argentina	\$15.03
Brazil (Real)	\$3.21
Chile	662.00
Colombia	\$2,920.15
Costa Rica	\$546.67
Mexico	18.28
Peru (Sol)	\$3.28
Puerto Rico	\$1.00

Source: Investing.com

Latin America Unemployment Rate



Sources: Argentina--Clarín; Brazil--Investing.com; GE; Chile--Chilean Statistics Institute; Colombia--DANE; Costa Rica--La República; Mexico--INEGI; Peru--INEI; Puerto Rico--Bureau of Labor and Statistics; Dominican Republic--Trading Economics

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Latin American Locations



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