

**BUENOS AIRES
2Q17 INDUSTRIAL MARKET**

**INDUSTRIAL PARKS +
LOGISTIC PARKS**

Industrial Real Estate Market

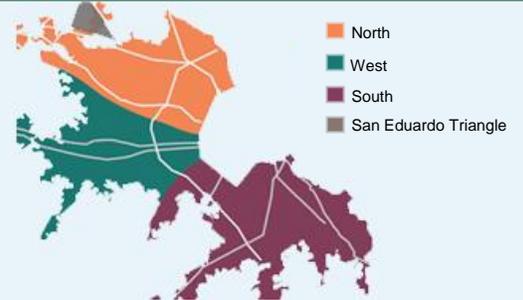
Buenos Aires is the largest industrial property market in Argentina, with approximately 1.97 million square meters of Class A warehouse space and over 4,000 acres of industrial parks, representing 50.0% of the entire country's market.

The market experienced a decrease in its overall vacancy rate to 8.3% during the second quarter of 2017, while average rental rates reached \$7.99/SF/Year, an increase of 3.0% year-to-date.

Simultaneously, the market's inventory of Class A warehouse space increased, although the gap in square meters built in each submarket remained stable. Consequently, the Northern Corridor (along the Pan American Highway), where the market's main logistics centers and industrial parks are located, remains the main submarket, comprising 70.0% of the total stock. By contrast, the South Corridor still maintains a large number of industrial sectors with important advantages due to their proximity to the port of Buenos Aires, although many of these sectors are hampered by old or obsolete infrastructure services. The least consolidated submarket is the West Zone, which despite its high vacancy rate has great potential for future development.

The third edition of Exposición de Parques Industriales de la Provincia de Buenos Aires (EPIBA), the main exposition of the industrial parks of Buenos Aires, was held in May. Several lines of work arose from the experience, particularly the differences between industrial parks and logistics parks as well as the possibility and/or need to work together, depending on the format, location, etc.

Submarkets



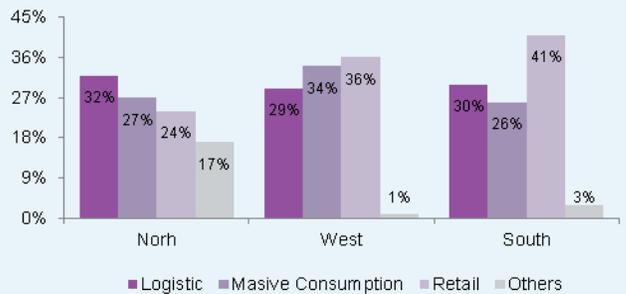
Source: Newmark Grubb BACRE

Market Analysis - Premium Warehouse Class A

Average Asking Rent vs. Vacancy



Activities by Submarket



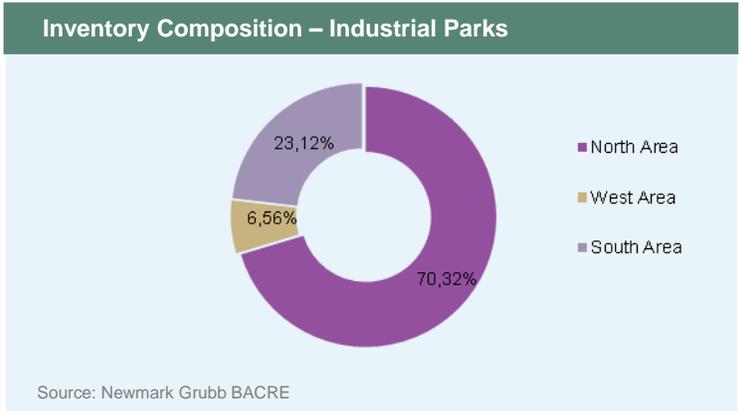
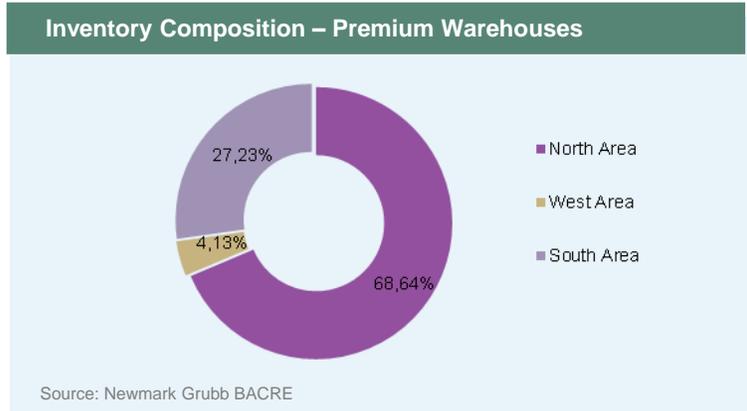
Argentina Market Summary

Argentina		
Capital City	Buenos Aires	
Population	43,420,000	
GDP MM (2016)	US\$ 704,3	
GDP per capita (2016)	US\$ 16,221	
Currency	Peso	
Unemployment Rate	9.2%	

Premium Warehouse

	Current Quarter	Prior Quarter	Year Ago Prior	Forecast
Total Inventory (SF)	21,2MM	20,9MM	20,1MM	↑
Vacancy (%)	8.3%	9.1%	8.6%	→
Average Asking Rent	US\$7.99	US\$7.77	US\$7.58	→

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Of the 425 industrial parks on which Newmark Grubb Bacre works, nearly half, which includes both private and public have already been registered by Argentina's National Registry of Industrial Parks (RENPI).

Almost all of these industrial parks have a logistics area. In the first and second areas of Buenos Province, there is a logistics area within the groupings, which shows that the industrial-logistic coexistence is very viable.

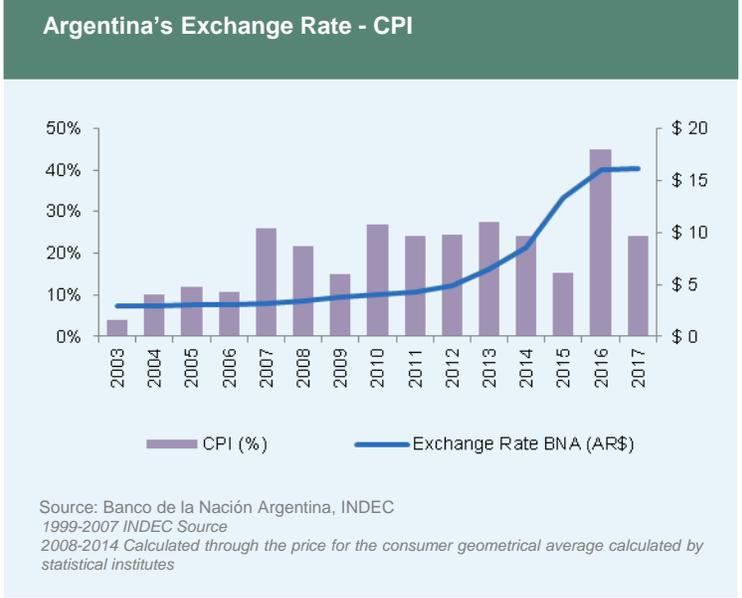
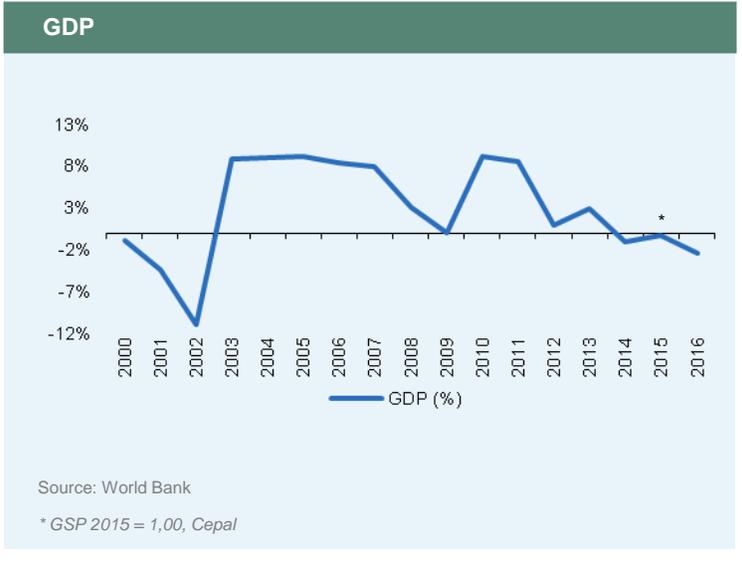
Industrial Parks + Logistics Parks

Industrial parks and logistics parks have different uses and therefore different needs. However, it is more difficult to devise an operating format for an industrial park, because no two industrial parks are alike.

With industrial parks, the focus is on services: Energy and the gas supply are the key issues. It is very difficult to develop an industrial park when the type of industry expected to settle there is unknown.

In logistics, however, access is of the utmost importance.

The addition of a logistics area to an industrial park allows for a balance between the two types of companies. Logistics companies consume little gas and energy, which compensates for the demands of other industries. This in turn leads to a distribution of services that is balanced and does not require so much power, achieving an average that does not alter the operation. But for both logistics and industrial uses to coexist requires planning. For example, logistics activity typically moves six or seven times the amount of trucks than industrial activity. Therefore, it will be necessary to prepare roads to contain these traffic flows.



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Parque Industrial Ruta 6 is a good example of this, as it is entering the logistics market. The market validated the project, and consequently 60.0% was sold before construction even completed.

Another variable transforming the concept of logistics is the evolution of e-commerce, which has introduced a new distribution format for consumer products. Instead of dispatching pallets to a few supermarkets, unit boxes are sent to millions of homes. This demands more labor and technology and makes location near consumption essential. That storage should be closer to the distribution axis. For this reason, logistics is beginning to move away from industry and toward consumption.

The infrastructure requirements of the logistics sector are also growing. What some years ago was a space that was kept from view and was used to store things that were left over today demands efficiency. Inside warehouses, the intensive use of all space is what matters most. That is why warehouses with large distances between structures, or with no columns at all, are fundamental. Outside, circulation spaces and loading docks are needed to make operation quick, safe and easy.

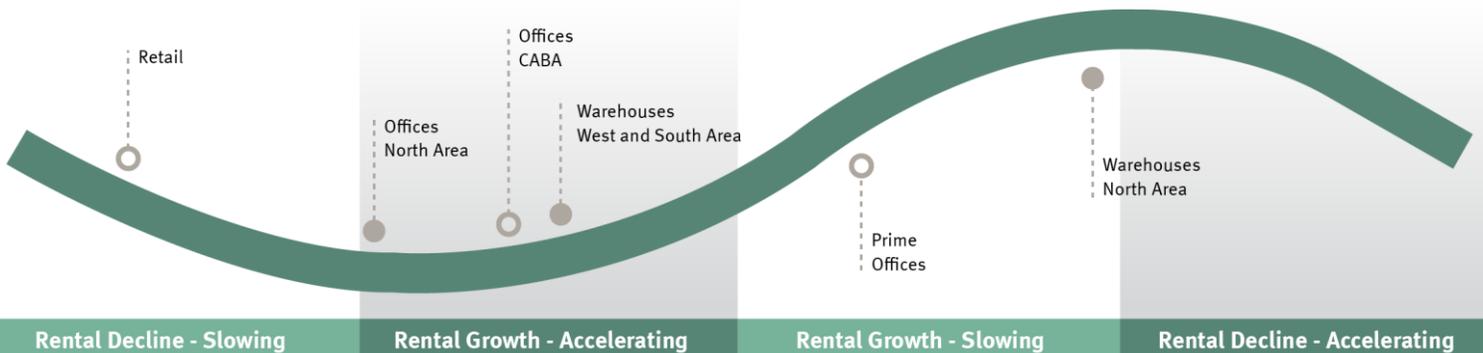
Investing in the Buenos Aires industrial market is a business of leasing and sales. An investor can divide the property into plots and sell them, or they can buy plots, build industrial buildings on them and rent them. As a trend, main operators are currently choosing to rent deposit areas but own the factories.

As to whether there is room for further development, it is worth noting that many of the small and mid-sized entities (SMEs) in the first cordon were in the urban ejido or located in small sheds on the street. Large industrial companies, on the other hand, relocated to the area between 45 and 60 kilometers from the city of Buenos Aires. Beyond 60 kilometers, in the localities of the province of Buenos Aires, the strategy is oriented toward encouraging distinctive types of industries for each zone.

Currently, 10,000 companies are in a position to settle in the province of Buenos Aires, while another 2,000 or so are located in the city of Buenos Aires.

Looking ahead, expect industrial parks and logistics parks to not only coexist within the same property, but also that their synergy of business formats to result in future benefits for all companies.

Real Estate Cycle – Office Market | Industrial Market | Retail



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Premium Warehouse

	Total Inventory (SF)	Vacancy Rate (SF)	Vacancy Rate (%)	Ave. Asking Rent (U\$/SF/YR)
NORTH	14,539,338	1,231,369	8.5%	\$8.81
WEST	875,912	170,534	19.5%	\$7.58
SOUTH	5,768,105	349,181	6.1%	\$7.58
TOTAL	21,183,355	1,751,084	8.3%	\$7.99

Industrial and Logistic Parks

	Total Inventory (SF)	Vacancy Rate (SF)	Vacancy Rate (%)	Ave. Asking Sale (U\$/m ²)
NORTH	320,764,220	219,260,643	68.4%	\$124.00
WEST	29,923,642	6,081,603	20.3%	\$64.90
SOUTH	105,486,220	5,812,506	5.5%	\$74.00
TOTAL	456,174,082	231,154,752	50.7%	\$87.63

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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



Newmark Knight Frank has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents.

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